

State Universal Service Funding Mechanisms: Results of the NRRI's 2005–2006 Survey

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EXECUTIVE SUMMARY

This 2005–2006 survey report presents information on the current status of various telecommunications Universal Service Fund (USF) programs at the state level. We find that multiple mechanisms with different subsidy targets have been adopted to achieve the goal of universal service. State USF programs vary greatly in terms of funding source, program coverage, eligibility standard, and administration. The overall trend is that a state USF may include multiple mechanisms with a uniform funding source but different disbursement channels; some states have expanded the services supported in their state USF programs, made more types of telecommunications carriers eligible for support, and made contribution mechanisms more explicit and competitively neutral.

In this survey, we examine state USF programs by type and by each dimension of program mechanisms. For state high-cost USF, twenty two jurisdictions, or 43 percent, currently have either a functioning high-cost USF, a functioning high-cost USF under revision, or an approved but not functioning fund. Seven commissions indicated that they are revising their state high-cost USF. All but five state commissions require Commercial Mobile Radio Service (CMRS) providers to contribute to the fund. However, only two states require Voice over Internet Protocol (VoIP) service providers to contribute to the state fund. Cost standards used in these programs are mixed; many states use cost proxy models for non-rural/big eligible providers and accounting cost standard for rural/small eligible providers. Most states use a third party to administer the state high-cost USF. Most of these contracting states use competitive bidding processes to select the administrator.

Thirty-three commissions, or 65 percent, reported that they have a state low-income program, which provides a subsidy to basic local residential telephone services and/or a discount for the initial installation fee. Nine states have a state subsidy program for schools and libraries. Seven states have a state subsidy program for rural health care facilities. The details of programs are very different from one another. In addition, five jurisdictions have a state subsidy program for advanced telecommunication services other than subsidy programs for schools, libraries and rural health care facilities.

We also find that state commissions have responded at different levels to the FCC's March 17, 2005 recommendations on the designation of Eligible Telecommunications Carriers (ETCs), and some states are still in the process of decision making.

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INTRODUCTION

This 2005-2006 survey is an updated and expanded version of NRRI's three previous surveys (1996¹, 1998², and 2002³) of the current status of state universal service mechanisms in the United States. Our goal is to portray a complete picture of the Universal Service Fund (USF) programs at the state level. We find that the state public utility commissions (PUCs or state commissions) as well as the state governments have adopted many different mechanisms to achieve the goal of universal service, using the intrastate telecommunications revenue and sometimes, general state tax revenue. These efforts are a major compliment to the federal USFs.

Universal service has been one important part of telecommunications regulation. The main objective of universal service policy is to make access to telecommunications and information services available and affordable for low-income consumers and consumers in rural, insular and high-cost areas. The Telecommunications Act of 1996 (Act of 1996) also provided that advanced telecommunications services should be available to schools, libraries, and rural health care providers. Under the dual jurisdiction regulation, different types of USFs exist at both the federal and state levels. At the federal level, the Universal Service Administrative Company (USAC) is designated by the Federal Communications Commission (FCC) to operate four USF Programs: High-Cost Support Program, Low-Income Support Program (federal Lifeline and Link-Up), Schools and

Libraries Program, and Rural Health Care Program.

At the state level, state legislatures and PUCs, or state commissions, may operate similar types of USF programs with a wide range of funding and administrative mechanisms, depending upon the conditions of telecommunications services in the state and the capacities of state agencies. State USF programs have been diverse in the past and have become even more so in recent years. The general trend is that a state USF may include multiple mechanisms with a uniform funding source but different disbursement channels. In addition, states have also expanded the services supported in their state USF programs, made more types of telecommunications carriers eligible to receive support, and made funding mechanisms more explicit and competitively neutral. Like federal programs, state programs have different targets. They may provide a separate subsidy to customers in high-cost areas and to low-income households. Some states have also extended the scope of universal service support to educational and rural health care institutions as in the federal programs.

This survey is more comprehensive than NRRI's previous surveys on state USFs, which we did not distinguish between different types of USF programs. Thus, it was difficult to compare across programs and across states. In this survey, we asked for detailed information of each type of USF program, specifically, high-cost funds, low-income subsidy funds (state Lifeline and Link-Up), schools

State public utility commissions have adopted many different mechanisms to achieve the goal of universal service.

The trend is towards state USFs with uniform funding sources but different disbursement channels.

and libraries funds, rural health care funds, advanced services funds, and other state USF programs. The expanded question set allows us to gain more accurate insights about the current status of different state USF programs. Our report is organized in sections accordingly.

The survey was conducted between December 2005 and April 2006. State PUCs or state commissions in all 51 jurisdictions responded to the survey. State responses to individual questions are presented in the tables and figures according to the sequence by which the questions are asked in the questionnaire. The survey questionnaire is attached as Appendix I.

As in the previous survey reports, we use as much of the original responses from commissions as possible. However, due to different interpretations of the questions, the respondents may provide answers based on their understanding. Some data entries were revised based on the information provided by respondents in follow-up correspondence. In addition, some supplementary information was collected from other sources. Based on survey responses, we compiled a state USF profile for each state. The state profile will be available on the NRRI website (www.nrri.ohio-state.edu) or upon email request to the authors.

Acknowledgments

We would like to thank survey respondents in all 51 public utility commissions for their valuable input.

They provided their expertise and knowledge about their state universal service programs both in answering the questionnaire and in the follow-up email and phone conversation. The remaining errors are ours. The respondents are listed in Appendix II.

Summary of the Results

Although all 51 jurisdictions have USFs in one form or another, their practices are diverse in all major dimensions such as funding sources, services covered by the program, subsidy eligibility, size of the fund and administration. We examine the programs by type and by each dimension of program mechanisms. Some general observations from the survey results are summarized as follows.

State High-Cost USFs

Twenty-two of the 51 jurisdictions, or 43 percent, currently have either a functioning high-cost USF, a functioning high-cost USF under revision, or an approved but not functioning fund. Nineteen jurisdictions have a functioning state high-cost USF, among which seven are revising or considering revising their state high-cost USF. Three commissions indicated that their fund was approved but not functioning.

Among the 22 states that have a high-cost USF, 16 states, or 73 percent, reported that their funds were mandated by the legislature. Five, or 23 percent, reported that their funds were created by the commissions on their own initiative.

This survey is more comprehensive than previous ones by the NRRI.

All 51 public utility commissions participated.

Twenty-two jurisdictions have USFs for high-cost areas.

All but five commissions require CMRS providers to contribute to the fund. Only Nebraska and South Carolina require VoIP providers to contribute.

All of the states that have a high-cost USF require Incumbent Local Exchange Carriers (ILECs), Competitive Local Exchange Carriers (CLECs), and Interexchange Carriers (IXCs) to contribute to the state high-cost USF. All but five PUCs or state commissions require Commercial Mobile Radio Service (CMRS) providers to contribute to the fund. Only Nebraska and South Carolina require Voice over Internet Protocol (VoIP) service providers to contribute to the state fund.

Of the states that have a high-cost USF, 11 states, or 50 percent reported that they require a carrier to be a state-designated Eligible Telecommunications Carriers (ETCs) to draw from the fund; seven states, or 32 percent, do not require a carrier to be an ETC to draw from the fund. In six states, all carriers of basic local exchange telephone service are eligible to receive support from the state high-cost funds. In California, Nevada, and South Carolina, only carriers of last resort are eligible to receive state high-cost funds. Eight of the 22 states allow wireless carriers to receive high-cost funds.

Among the 13 states that use a cost standard for providing state high-cost support, four states use an embedded/accounting cost standard; three states use an economic cost standard (cost proxy model); and five states use mixed cost standards, i.e., cost proxy model for non-rural/big eligible providers and accounting cost standard for rural/small eligible providers.

Of the states that have a high-cost USF, five states, or 26 percent,

responded that the PUC or state commission administers the state high-cost fund. Thirteen states, or 68 percent, responded that they contract the administration of state high-cost USF to a third-party; seven use NECA Services, now Solix, Inc., as the administrator. Of the 12 states that contract a third-party to administer the state high-cost fund, nine, use competitive bidding processes to select the administrator over a certain period of time.

The annual disbursement ranges from about \$182,571 (Nevada) to over \$468 million (California).

ETC Designation upon FCC's Recommendations

On March 17, 2005, the FCC made some recommendations on the state designation of ETCs.⁴ Thirteen commissions, or 25 percent, reported that they have made changes in their procedures or rules for designating ETCs (especially in rural areas) as a result of the FCC's ETC Order.

Twenty-four states, or 47 percent, reported that they have adopted annual reporting requirements regarding state certification of support for ETCs.

Eleven state commissions, or 22 percent, reported that they have adopted the FCC's five-year service quality improvement plan for ETCs.

Fourteen commissions, reported that they have done audits or investigations to determine how universal service support has been used by the recipients. In most cases, the commissions found

Most states use a third-party to administer the USF.

the recipients were in compliance with state USF policies.

State Low-Income Subsidy Programs

Thirty-three commissions, or 65 percent, reported that they have a state low-income program (state Lifeline/Link-Up). Most of the programs were established in 1980s and 1990s. Two states, South Carolina and Missouri, established the program in 2001 and 2005, respectively.

In most states, the low-income subsidy programs only cover basic local residential telephone services (state Lifeline program), as in the federal Lifeline program; some states provide a discount for the initial installation fee (state Link-Up program); some support both.

The level of monthly support for low-income consumers varies across states. It ranges from \$1.17 (Connecticut) to \$13.30 (New Jersey).

The eligibility for the state low-income subsidy is usually based on the consumers' participation in means-tested, low-income welfare programs or household income level benchmarked by the state or federal poverty lines.

Among the 33 jurisdictions that have a state low-income subsidy program, twenty jurisdictions, or 61 percent, fund the program through a surcharge on carriers' revenue or customer bills. Programs in other states are supported either by carriers' internal subsidy or by the general state tax revenue.

The administration of the state low-income telephone subsidy program is in the hand of diverse entities. The administrator could be the state commission, another state agency, a third-party agency, the telecommunications carrier, or the combination of two agencies.

The annual disbursement ranges widely from \$101,757 (Colorado) to \$241 million (California).

State Subsidy Programs for Schools, Libraries, and Rural Health Care Facilities

Nine states, or 18 percent, have state subsidy programs for schools and libraries. Seven states, or 14 percent, have state subsidy programs for rural health care facilities. Six states have both types of programs. All of them were established after the Act of 1996.

Most state subsidy programs for schools and libraries provide a subsidy to broadband Internet access not including equipment and the subsequent monthly subscription fee; some programs also cover other advanced services such as toll-free services and online access to databases. Most state programs for rural health care facilities provide subsidies to broadband Internet access services; some include equipment and other advanced services such as toll-free services.

The source of funding and the administration for state schools and libraries programs and state rural health care programs vary across states. The amount of annual disburse-

Thirty-three commissions reported having a state low-income program.

Most state programs for schools and libraries provide a subsidy to broadband Internet access.

ments of the state schools and libraries programs ranges from \$1 million to over \$20 million. The amount of annual health care programs ranges from \$54,643 to \$3.8 million.

Telephone Relay Service (TRS) Programs

State TRS programs were established as early as 1981 (Minnesota) and as late as 2003 (Hawaii). The services supported by state TRS programs include, at minimum, basic telephone relay services; many include a subsidy for equipment purchase and CapTel services for qualified customers.

To use the basic telephone relay services, users simply dial 711 to reach the operator. To qualify for other discounts and/or other services, however, states may have specific requirements such as the certification of disability and income.

In most states, the TRS program is funded by a surcharge per access line or a surcharge on all intrastate telecommunications revenue. However, in some states, it is funded by state revenue.

The state TRS program may be administered by the state public utility commission, another state agency, a third-party, or the service provider, depending upon the structure of the TRS program. Many states indicated that the administrative responsibility is shared by more than one entity.

The amount of annual disbursement of state TRS ranges from \$85,988 (West Virginia) to over \$37 million (California).

State Subsidy Programs for Advanced Telecommunication Services

Five of 51 jurisdictions, or 10 percent, have a state subsidy program for advanced telecommunication services other than subsidy programs for schools, libraries, and rural health care facilities.

The earliest state advanced services program was established in 1988 (California) and the latest one was in 2004 (Nebraska).

Eligibility for state advanced services support is usually based on need criteria set by the state administrator. The criteria emphasize the nature of the institution that applies for the fund and the geographical area it is located in.

The source for funding, fund administration and annual disbursement for state advanced services programs vary across states.

Other State USF Programs

Eight commissions, or 16 percent, have other state USF programs that do not fit into the above-described categories. Functions and mechanisms of the programs vary.

Other Issues

Four commissions, or 8 percent, have established an explicit universal service goal.

Five commissions responded that they have an explicit standard in deter-

State programs for service to the hearing-impaired began in 1981.

Five states reported a program to subsidize advanced telecommunications services other than for schools, libraries, and rural health care facilities.

mining whether universal service goals have been met in their state.

Five commissions, about 10 percent, reported that they have evaluated the impact or effectiveness of universal service programs in their states. Several other states are in the process of such an investigation.

STATE HIGH-COST USFs

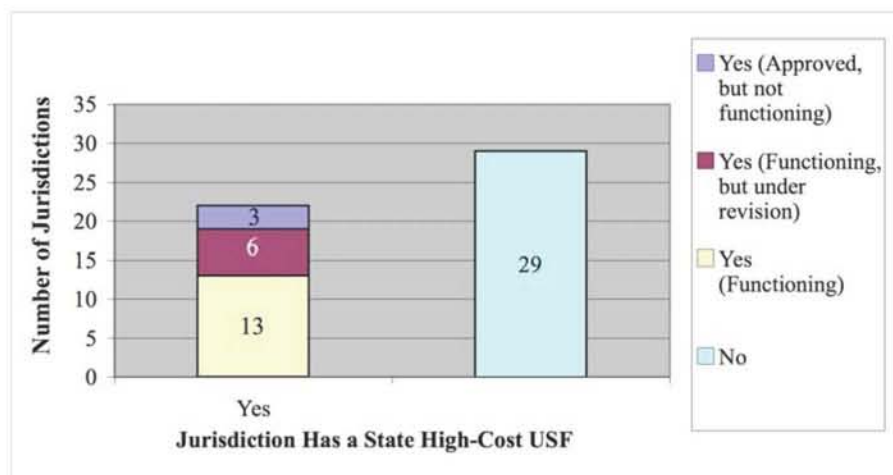
Status of State High-Cost USFs

We defined high-cost USFs in a broad sense, including all programs that help maintain low local telephone rates in high-cost or rural areas. There are some state high-cost recovery mechanisms that do not neatly fit into the description of the conventional high-cost programs. For example, Arkansas' USF is a revenue replacement fund from which only rural ILECs receive funding. Pennsylvania's program is intended to keep intrastate toll rates and access charges low and keep rural residential rates under a cap.

Wisconsin has a high-cost assistance program based on the median income in an area. Washington has a program that allows ILECs in need of universal service support to charge an above-cost intrastate access fee. We qualify all four of them as high-cost assistance programs. Oklahoma has an intrastate high-cost program but it is administered by AT&T. The Oklahoma Corporation Commission has no oversight over the state high-cost program. Therefore, the Oklahoma program is not counted in the result in this survey.

Altogether, 22 of the 51 jurisdictions, or 43 percent, currently have either a functioning high-cost USF, a functioning high-cost USF under revision, or an approved but not functioning fund. As shown in Figure 1 and Table 1 summary, 19 of the 51 jurisdictions, or 37 percent, responded that they have a functioning state high-cost USF. Among the 19 jurisdictions, six commissions are revising or considering revising their state high-

Several commissions have evaluated the impact of their universal service programs; several others were in the midst of such investigations.



Source: Authors' construct from survey responses.

Fig. 1. Status of state high-cost USFs.

TABLE 1 SUMMARY**QUESTION 1: DOES YOUR STATE CURRENTLY HAVE A HIGH-COST USF?**

Yes	Functioning	AR, ID, IL, ME, NV, OR, PA, SC, TX, UT, WA, WI, WY [13]
	Functioning, and under revision	AK, AZ, CA, CO, KS, NE [6]
	Approved, but not functioning	FL, IN, VT [3]
No		AL, CT, DC, DE, GA, HI, IA, KY, LA, MA, MD, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NM, NY, OH, OK, RI, SD, TN, VA, WV [29]

TABLE 1

	Functioning and currently under revision.
AK	The Arkansas USF is a revenue replacement fund from which only rural ILECs receive funding.
AR	Functioning.
AZ	Functioning since 1989, rules were implemented in 1996, and currently under revision.
CA	Functioning since 1997 and currently under revision.
CO	Functioning since 1992 and currently under revision.
FL	Approved, but not functioning.
ID	Functioning since 1988.
IL	Functioning since 2001.
IN	Approved, but not functioning because of legal appeals.
KS	Functioning since 1997, and currently under revision.
ME	Functioning since 2003.
NE	Functioning since 1999, and currently under revision.
NV	Functioning since 1999.
OR	Functioning since 2000.
	Functioning.
PA	The Pennsylvania USF is not a high-cost fund in the normal definition, even though the only recipients are rural ILECs operating in Pennsylvania. The Pennsylvania USF is more of a mechanism to lower intrastate toll rates and intrastate access charges while keeping rural residential rates affordable under an \$18 cap.
SC	Functioning since 2001.
TX	Functioning since 1999.
UT	Functioning since 1997.
VT	Approved but not functioning.
	Functioning.
	Washington does not have a state USF in the normal definition. In 1998-1999, the Commission sponsored state USF legislation, but it did not pass. The Commission has approved what was intended to be a temporary form of assistance in the form of intrastate access charges. The charges have been in place for enough years to justify a question whether the program is still intended as temporary. In recent years, however, the Commission has reduced access charges for its largest phone companies – Qwest and Verizon.
WA	Functioning since 1996.
	The fund addresses high rate assistance. It compares the rate charged for the essential residential services to median household income in the area. Rates above the 1.5 percent of median income threshold receive credits. The credits increase as the telephone rates reach higher thresholds of percentage of median household income.
WI	
WY	Functioning since 1998.

cost USF. Three commissions indicated that their fund was approved but not functioning. Details are presented in Table 1. Figure 2 maps the status of state high-cost USF across the U.S.

Compared to the results from our 2002 survey, there is little change in the status of state high-cost funds. In 2002, the state of Maine has an approved yet not functioning fund. It has been functioning since 2003. Georgia had an interim Universal Access Fund, but it phased out in 2003.

Reasons for Not Having a State High-Cost USF and Consideration for Establishing One

Seven commissions responded that they have considered and rejected a state high-cost USF. The reasons are shown in Table 2. Among them, District of Columbia, Michigan, Mississippi, Missouri, and New Mexico chose not to have a high-cost USF. Vermont has a USF that never functioned. Washington and Wisconsin did not adopt the traditional high-cost fund. Instead they have alternative mechanisms to achieve the low local rates in high-cost areas.

Among the states that do not have a functioning state high-cost USF, only Indiana is currently considering making the state high-cost fund functional.

Revision of State High-Cost USFs

Six states reported that they were in the process of revising their state high-cost funds. The potential revisions are presented in Table 3. In addition, Illinois is not revising the state high-

cost USF, but companies are allowed to file changes in cost and service coverage. Major issues of revision include the coverage of services supported by the fund, level of contribution to the fund, and eligibility of wireless carriers to receive support.

Why Some State High-Cost USFs Have Been Approved but Are Not Yet Functioning

As shown in Table 4, three commissions reported that their state high-cost USFs have been approved but are not yet functioning. Florida's and Vermont's state high-cost USFs are not functioning because they lack legislative authorization for funding; Indiana's high-cost USF is not functioning because of court appeals.

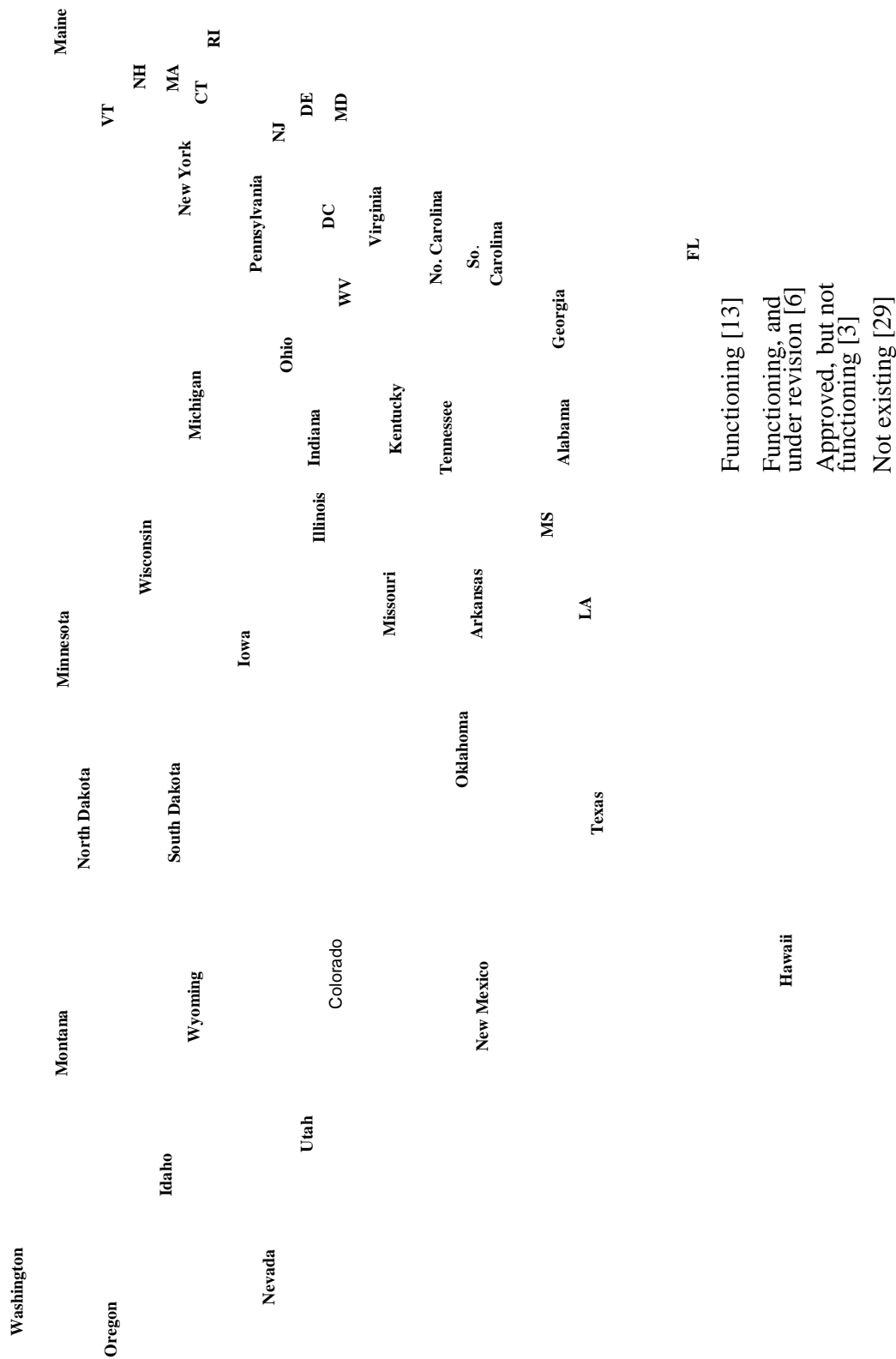
State High-Cost USFs Mandated by Legislature

As shown in Figure 3 and Table 5, among the 22 states that have a high-cost USF, 16, or 73 percent, reported that their funds were mandated by the legislature. Five, or 23 percent, reported that their funds were created by the commissions on their own initiative. Arizona, Maine, Washington, and Vermont did not respond to this question. However, based on their responses in the 2002 survey, we classified the high-cost USF in the first three states as "created by the commission on its own initiative" and classified the Vermont fund as "created by the commission under legislative mandate."

In Pennsylvania, the state fund was created by the Commission after the idea was petitioned to the court by

The survey found little change in the status of high-cost funds since 2002.

Most state high-cost USFs were mandated by the legislatures.



Source: Authors' construct from survey responses.

Fig. 2. Status of state high-cost funds.

TABLE 2
QUESTION 2: WHY THE COMMISSION CONSIDERED AND REJECTED A STATE
HIGH-COST USF.

DC	No high cost area. The Commission examined the “need to create a fund that would bring rates into line with the affordability criterion of Section 316a. [Michigan Telecommunications Act]... The Commission held hearings and found that the statutory criteria set forth in MCL 484.2316a to have not been met at this time... No one alleges that there is a current
MI	disparity between “each providers forward looking economic cost of the supported telecommunications services” and “the affordable rate level to provide supported telecommunication services” or offers to provide studies or other evidentiary support to demonstrate a disparity.” (U-13477)
MS	The costs were extremely high.
MO	In March 2002, the Commission issued a Report and Order establishing a low-income/ disabled fund. The Commission has not ruled on the issues related to a high-cost fund. The Commission determined some time ago that there was no need for state USF in
NM	addition to federal USF because the rural carriers in the state were receiving 85-90 percent of their loop costs from federal USF. That is why there were no disbursements or collections before the access reform legislation passed.
VT	The Commission has not been persuaded that rural areas were imminently going to be harmed by de-averaging of retail rates.
WA	Lack of statutory authority. Alternative mechanism is adopted.
WI	The alternative high-rate assistance program was viewed as more consistent with the competitive telecom market envisioned in the 1994 Wisconsin Telecom Act.

TABLE 3
QUESTION 4: IF YOUR STATE'S HIGH-COST USE IS UNDER REVISION, PLEASE
EXPLAIN OR DESCRIBE THE LIKELY NATURE OF THE REVISION.

AK	No information on potential revision.
AZ	Currently an investigative docket is open. It is still too early to predict revisions. The Commission will open two proceedings to examine and update most of its universal service programs in 2006. The large carrier high-cost program proceeding will review the operation and effectiveness of the program and make changes consistent with the governing statutes. The high-cost program for small, mostly rural carriers will not be reviewed in 2006.
CA	The Commission opened a docket recently for reexamination of the Colorado High-Cost Support Mechanism (CHCSM) rules for general and specific reasons. Qwest Corporation's request for reclassification of certain retail services and products was granted by the Commission this year. This decision modified the regulatory scheme for most regulated telecommunications service providers in Colorado. The most prominent issues to be considered are the determination of which regulated telecommunications services are to be supported through the CHCSM and the determination of levels of support each telecommunications provider shall receive.
CO	The high-cost fund is not currently under revision, but the companies can file for revisions for (1) changes in cost (2) change in services covered. Recent State Appeal Court decision remanded issues requiring the Commission to review its competitive neutrality determination. For companies in a rate-of-return regulated carrier's service areas, the Court also upheld a lower court's ruling that state support must be based on embedded costs, and a rate-of-return regulated carrier's support cannot be adjusted to reflect increases or decreases in access lines absent cost justification.
IL	The Commission has recently approved the creation of a dedicated wireless fund in which wireless ETCs can apply for high-cost subsidy. The Commission also recently lowered the surcharge from 6.95 percent to 5.75 percent. The Commission has recently opened several dockets to determine how to implement these changes.
KS	
NE	

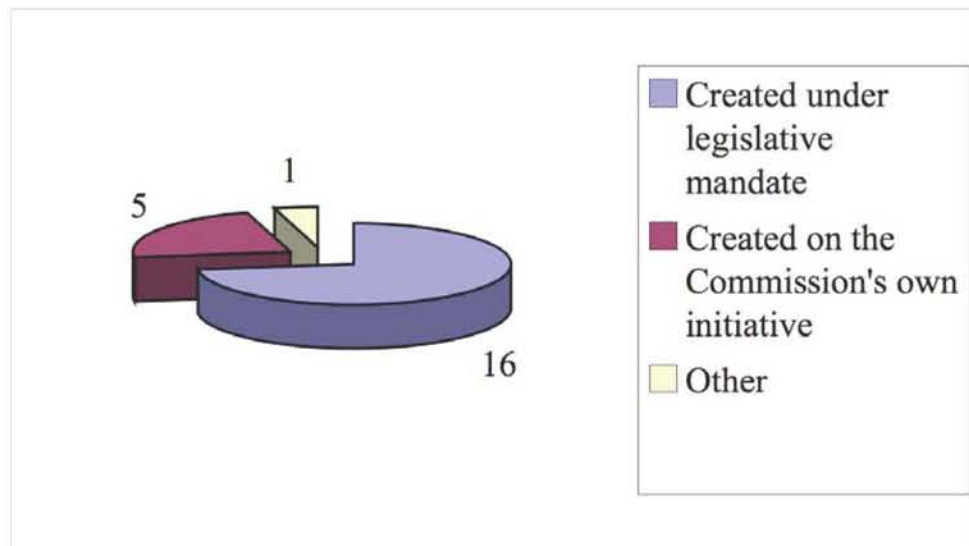
TABLE 4
QUESTION 5: IF YOUR STATE'S HIGH-COST USF HAS BEEN APPROVED
BUT IS NOT FUNCTIONING, WHAT IS THE REASON IT IS NOT
FUNCTIONING?

Approved, but not functioning.

FL The Commission established an interim USF mechanism in compliance with Florida Statute 364.025; however, it declined to establish a funded mechanism (FPSC Docket No. 950696). Thus, funds have never been dispersed to carriers. The Commission does not have authority to establish a permanent mechanism. The Florida Legislature has retained this authority to itself. There is no known revision in the near term.

IN Approved, but not functioning because of legal appeals.
 Approved but not functioning.

VT The USF was created by legislation in 1994. Eventual creation of a high-cost fund was anticipated in 1994 when the USF was created, but that spending portion of the program was never fully authorized by the legislature. We don't anticipate such a program in the foreseeable future.



Source: Authors' construct from survey responses.

Fig. 3. Authorities that created state high-cost USF.

TABLE 5
QUESTION 6: IF YOUR STATE HAS A USF, WAS IT CREATED BY THE
COMMISSION ON ITS OWN INITIATIVE, OR CREATED BY THE COMMISSION
UNDER LEGISLATIVE MANDATE.

Created by the commission	AR, CA, CO, FL, ID, IL, KS, NE, NV, OR, SC, TX, UT,
under legislative mandate	VT, WI, WY [16]
Created by the commission on	AK, AZ, IN, ME, WA [5]
its own initiative	
Other	PA [1]

Eligible services were for the most part the same as for federal support.

various telecommunication carriers and hearings were held in 1999. It is classified as “created by other authorities.”

Services Eligible for State High-Cost USF Support

Commissions were asked whether the services eligible for state high-cost support are the same as the FCC list. The FCC lists the following functions or services as being eligible for universal service support:⁵

- Voice grade access to the public switched network, with the ability to place and receive calls
- Local usage
- Dual Tone Multifrequency signaling [Touchtone®, for example] or its functional equivalent
- Single-party service
- Access to emergency services, including in some instances, access to 911 and enhanced 911 (E911) services
- Access to operator services
- Access to interexchange services
- Access to directory assistance
- Toll limitation services for qualifying low-income consumers

Among the states that responded to this question, eight, or 42 percent,

responded that their list of eligible services for state high-cost support is the same as the FCC list; 11 states, or 58 percent, responded that the eligible services in their states are different from the FCC list. The descriptions of the differences from the FCC’s list are presented in Table 6.

Contributors to State High-Cost USFs

Table 7 shows contributors to state high-cost USFs. All states that have a state high-cost USF require ILECs, CLECs, and IXC to contribute to it. Three states’ requirement about contributors does not fit into specific categories. In Florida, carriers fund their universal service obligations through markups on the services they offer. In Pennsylvania, all certificated carriers contribute to the overall state USF in their pro rata share. In Washington, the state permits ILECs to charge above-cost intrastate terminating access rates if a company has demonstrated a need for state universal service support.

Of the states that have a state high-cost fund, all but five responded that they require CMRS providers (such as wireless mobile phone service carriers) to contribute to the fund. The

In Florida, carriers fund their universal service obligations through markups on the services they offer.

TABLE 6 SUMMARY
QUESTION 7: ARE SERVICES ELIGIBLE FOR STATE HIGH-COST SUPPORT
THE SAME AS THE FCC LIST?

Same	AZ, CA, CO, IL, IN, ME, NV, SC [8]
Different	AK, FL, ID, KS, NE, OR, TX, UT, WA, WI, WY [11]
N/A	AR, PA, VT [3]

TABLE 6

AK	The Commission's fund is currently used to pay for local exchange switching costs, public interest payphones, and Lifeline.
FL	Voice-grade, flat-rate residential and flat-rate single-line business local exchange services, which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as '911,' all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For ILECs, this includes any extended area services routes, and extended calling service in existence or ordered by the FPSC on or before July 1, 1995. (Refer to Docket No. 950696-TP; Order No. PSC-95-1592-FOF-TP)
ID	Universal availability of local exchange service and message toll service (MTS) at reasonable rates.
KS	The Kansas USF does not support all lines. State support is not provided for: concession lines provided free of charge, company official lines, key lines, lines that terminate in a PBX, Centrex, or Hunt group, Internet or other lines for non-regulated services, or lines that provide only one-way communications.
ME	Doesn't support mobile (wireless) services.
NE	Similar to the FCC list, with some differences. The Commission includes in its list "a standard 'white page' or alpha directory listing at the customer's option and equal access to interexchange services." (Refer to rule 004.02)
OR	The Commission adopted a definition of "basic telephone service" which is supported by the USF. Basic telephone service means retail telecommunications service that is single party, has voice grade or equivalent transmission parameters and tone-dialing capability, provides local exchange calling, and provides the customer access to but does not include (1) extended area services, (2) long-distance services, (3) relay services, (4) operator services, (5) directory assistance services, and (6) emergency 911 where available. (Refer to Oregon Administrative Rules (OAR) 860-032-260)
TX	Eligible providers receive support for basic local telecommunications service, which is defined in Public Utility Regulatory Act (PURA) § 51.002(1) as: (A) flat-rate residential and business local exchange telephone service, including primary directory listings; (B) tone dialing service; (C) access to operator services; (D) access to directory assistance services; (E) access to 911 service provided by a local authority or dual party relay service; (F) the ability to report service problems seven days a week; (G) Lifeline and tele-assistance services; and (H) any other service the commission determines after a hearing is a basic local telecommunications service.
UT	With some additions to the FCC list. Access to Lifeline discount and telephone relay (if qualified).
WA	Washington permits ILECs to charge above-cost intrastate terminating access rates if a company has demonstrated a need for state universal service support. The use of the funds collected under this mechanism is not limited.
WI	Some Extended Community Calling and interexchange service is included in the calculations under the high rate assistance program.
WY	Wyoming does not require single party service (we have about 16 multi-party customers which qualify for support), and Wyoming does not require toll limitation services.

TABLE 7
QUESTION 8: WHO MUST CONTRIBUTE TO YOUR STATE'S HIGH-COST USE?

	X	X	X	X	X
AK	A "public utility" that provides intrastate telecommunications service to the public must pay towards the state fund based on its annual gross revenue from end users on the following state telecommunications services: cellular telephone and paging; mobile radio services; operator services; personal communications services; special access service; WATS; toll-free 900 service; messages telephone service; private line service; telex; telegraph; video services; satellite service; resale of intrastate service; pay phone service; local exchange service. (See 3 AAC 53.340)				
AZ	X	X	X	X	
CA	X	X	X	X	
CO	X	X	X	X	X
	Others: Toll resellers.				
FL	X	X	X	X	X
	Carriers continue to fund their universal service obligations through markups on the services they offer.				
ID	X	X	X		
IL	X	X	X		
IN	X	X	X	X	
	X	X	X	X	X
KS	For VoIP providers, the Commission will review on a case-by-case basis at this time. The fund also includes contributions from paging providers.				
ME	X	X	X	X	
	X	X	X	X	X
NE	Facilities based VoIP providers were found to offer a service that should be assessed the Nebraska USF surcharge in the Nebraska USF-40 docket, effective date June 2005. Qwest has appealed the Order.				
NV	X	X	X	X	
OR	X	X	X		
	X	X	X	X	X
PA	All certificated carriers contribute to Pennsylvania USF in their pro-rata share. In determining the pro-rata share, the same factor is applied to all contributing carriers' revenues. See www.puc.state.pa.us/telecom/telecom_uniservfund.aspx .				
	X	X	X	X	
SC	Only carriers having commission authority to operate within the state are contributing. Thus, Time Warner Cable, which provides an in-part VoIP service, contributes. Pure play VoIP providers that are not covered by a Certificate of Public Convenience and Necessity do not contribute.				
	X	X	X	X	X
TX	Pursuant to PURA § 56.022 "[t]he USF is funded by a statewide uniform charge payable by each telecommunications provider that has access to the customer base." The State Comptroller has determined that this includes hotels and motels. No express determination has been made by the Commission regarding contributions on intrastate taxable telecommunications VoIP receipts.				
UT	X	X	X	X	
			X	X	X
WA	Washington permits ILECs to charge above-cost intrastate terminating access rates if a company has demonstrated a need for state universal service support. There is no fund, but long-distance providers pay above-cost intrastate terminate access rates to ILECs to support state universal service efforts.				
WI	X	X	X		
WY	X	X	X	X	X
	Others: Commercial radio common carriers and paging companies.				

five states that do not require CMRS providers to pay to the fund are Idaho, Illinois, Oregon, South Carolina, and Wisconsin.

Of the states that have a state high-cost fund, only two states responded that they require VoIP service providers to contribute to the fund. Nebraska required facilities based VoIP providers to pay into a USF, however the carrier has appealed. In South Carolina, only carriers having commission authority to operate within the state (such as providers of in-part VoIP service) are contributing. In Kansas, the Commission will review VoIP contribution to the state USF on a case-by-case basis at this time.

Contribution Factors for State High-Cost USFs

Of the states that have a state high-cost USF, sixteen, or 73 percent, use a percentage surcharge on intrastate revenues. The percent surcharge rate ranges from 0.2661 percent (Illinois) to 6.65 percent (Oregon). Compared to the level of surcharge rate reported in the 2002 survey, the rates in all states have increased except for Wyoming. The variation of surcharge rates across states is shown in Figure 4. These rates are not directly comparable because the revenue surcharge in some states may be the sole source of funding while in others it may be one of the many funding sources; besides, some revenue surcharge rates are for the overall state USF including other types of USF programs.

Mechanisms other than the revenue surcharge are also used for state high-

cost USFs. Arizona, Idaho, and Kansas use combination of charges. Arizona and Kansas use a mix of per-line charge and revenue surcharge. Idaho uses a mix of per-line charge and per-minute charge. Florida and Washington use other mechanisms. Information on fund collection mechanism, current percentage surcharge rate and the corresponding revenue bases are presented in Table 8.

Equal Basis for Contribution to State High-Cost USFs and Exemptions

The commissions were asked whether all providers contribute on the same basis. Among the commissions that responded to this question, all but one (Arizona) reported that they require all providers to contribute on the same basis.

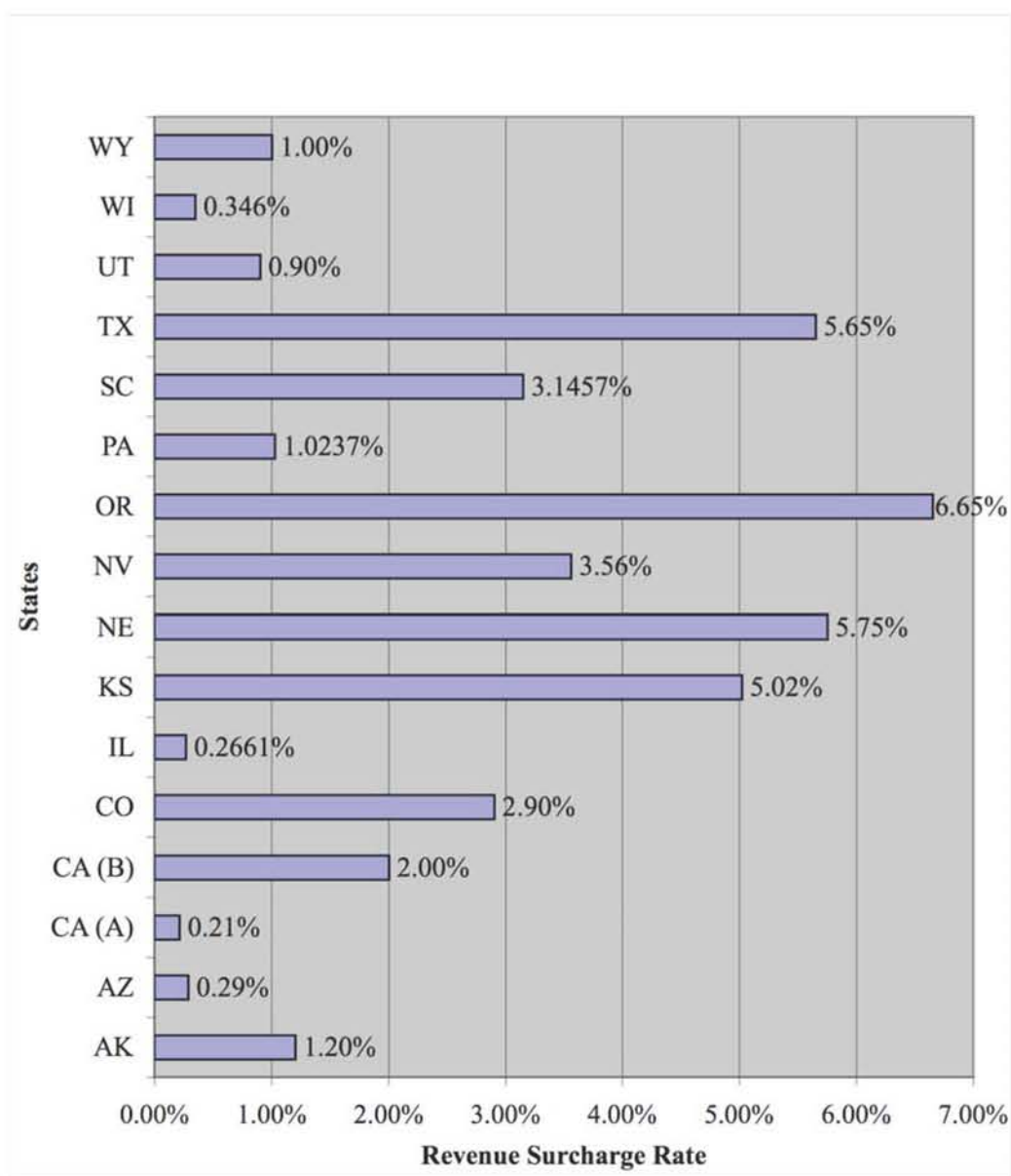
The commissions were then asked whether there is a rule or process for exempting a carrier from contributing to the state high-cost fund. Six commissions reported that there is a rule or process, most based on a *de minimus* standard. The responses for the two questions are presented in Table 9.

Eligibility to Receive Support from State High-Cost USFs

As shown in Figure 5, of the 22 states that have a state high-cost USF, 11 states, or 50 percent reported that they require a carrier to be an ETC to draw from the fund; seven states, or 32 percent reported that a carrier need not to be an ETC to draw from the fund in their states. The other four commissions did not provide

Contributions to state USFs are for the most part through a percentage surcharge on revenues.

All but one commission said all providers contribute on the same basis.



Source: Authors' construct from survey responses.

Note: For Wisconsin, the rate is for the entire Wisconsin USF, including other types of state USF programs. The Wyoming rate is an estimate starting from July 1, 2006. Arizona and Kansas have funding from per-line charges in addition to revenue surcharge. The per-line charges are not included in this chart.

Fig. 4. Revenue surcharge rate for state high-cost fund.

TABLE 8
QUESTION 9: WHAT MECHANISMS ARE USED TO COLLECT FUNDS FOR THE HIGH-COST FUND?
QUESTION 10: IF A REVENUE SURCHARGE IS USED, WHAT IS THE REVENUE BASE TO WHICH IT APPLIES?

AZ	Percentage surcharge on revenues.	1.2 percent.	Revenue of intrastate telecommunications service. For details, see comment on Question 8.
AZ	Combination of revenue surcharge and per-line charges.	For Category One providers: \$0.007626 per access line and \$0.076255 per interconnecting trunk line; For Category Two providers, 0.2870 percent of intrastate toll revenues. (Refer to A.A.C. R14-2-1204)	Per-line charge for Category 1 providers (basic local exchange service, wireless service, paging service and other CMR service); Revenue surcharge on Category 2 providers (Intrastate toll service). (See A.A.C. R14-2-R 1204.B.2)
CA	Percentage surcharge on revenues.	0.21 percent for High-Cost Fund-A; 2.00 percent for High-Cost Fund-B.	An end-user surcharge on customers' intrastate telecommunications services with certain exceptions.
CO	Percentage surcharge on revenues.	2.9 percent.	Intrastate retail revenue.
FL	The high-cost program is not funded by any state mechanism. Carriers absorb the cost by their own revenue through implicit subsidy. Local rates are capped. Carriers may markup value-added services and interconnection charges to recover the revenue.	N/A.	N/A.
ID	Combination of line charge and per-minute charge.	\$0.12 for business revenue; \$0.20 for residential revenue; \$0.004 per-minute charge on intrastate long distance minutes.	N/A.
IL	Percentage surcharge on revenues.	0.2661 percent.	Intrastate retail revenues.
IN	Percentage surcharge on revenues.	Rate to be determined.	Intrastate telecommunications revenue.
KS	Combination of percentage surcharge on revenues and line charge.	Current surcharge rate 5.02 percent; Line charge for ILECs only, current amount per line, per month varies by carrier, depending on revenues.	All intrastate retail revenues. For CMRS and paging, the Commission has adopted the FCC's Safe Harbor provision.
ME	Percentage surcharge on revenues.	Surcharge varies based on forecast.	

TABLE 8 - continued
QUESTION 9: WHAT MECHANISMS ARE USED TO COLLECT FUNDS FOR THE HIGH-COST FUND?
QUESTION 10: IF A REVENUE SURCHARGE IS USED, WHAT IS THE REVENUE BASE TO WHICH IT APPLIES?

NE	Percentage surcharge on revenues.	5.75 percent.	The Nebraska USF surcharge shall be assessed on all end-user telecommunications services provided in Nebraska intrastate commerce. Specific categories include: Local Exchange Service; Mobile Radio Services, Radio Paging Services, and Wireless Telecommunications Services, Interexchange services.
			Intrastate revenues.
NV	Percentage surcharge on revenues.	3.56 percent.	
OR	Percentage surcharge on revenues.	The contribution rate the rate carriers use to calculate their contribution to the Oregon USF is 6.65 percent. The end user surcharge rate carriers show on their bill is 7.12 percent, if they choose to collect the amount as a separate line item on the bill. The difference is due to the fact that the amount collected from the end user is included in the contribution base.	Intrastate retail revenues.
PA	Percentage surcharge on revenues.	1.0236739 percent.	Retail intrastate end-user revenues.
SC	Percentage surcharge on revenues.	3.14572 percent.	Total bill for local and long distance charges.
TX	Percentage surcharge on revenues.	5.65 percent (only on intrastate taxable telecommunications receipts).	Taxable intrastate telecommunications receipts pursuant to Chapter 151 of the Texas Tax Code.
UT	Percentage surcharge on revenues.	0.9 percent on customers total charge.	Intrastate retail rates.
VT	Not functioning.	N/A.	N/A.
WA	Other mechanism.	Intrastate terminating access rate.	N/A.
WI	Percentage surcharge on revenues.	0.02534 percent/month applied to annual revenues. Rate is for the entire \$6M Wisconsin PSC USF – not just high rate assistance.	Regulated Intrastate Originating and Terminating in Wisconsin. (Approximately \$1.733B in annual revenues)
WY	Percentage surcharge on revenues.	Zero percent; - current surcharge at zero due to over funding in earlier years. Most likely to be 1 percent starting July 1, 2006.	Intrastate retail telecommunications services.

TABLE 9

QUESTION 11: DO ALL PROVIDERS CONTRIBUTE ON THE SAME BASIS?
QUESTION 12: IS THERE A RULE OR PROCESS FOR EXEMPTING A CARRIER
FROM CONTRIBUTING TO YOUR STATE'S HIGH-COST FUND? (BASED, FOR
EXAMPLE, ON A *DE MINIMUS* STANDARD)?

AK	Yes	Yes. If a public utility's payment to the Alaska USF in a calendar year would be less than \$100, that utility is not required to submit a payment.
AZ	No	No.
CA	Yes	No.
CO	Yes	Yes. If a carrier's annual contribution to the fund is less than \$10,000.
ID	Yes	No.
IL	Yes	Yes. On a <i>de minimus</i> standard.
IN	Yes	No.
KS	Yes	No.
ME	Yes	Yes. Uncertain.
NE	Yes	No.
NV	Yes	No.
OR	Yes	No.
PA	Yes	Yes. If a carrier's contribution to the fund in a given year is less than \$120, that carrier will not be required to submit a contribution. See 52 PA code 63.169 (c).
SC	Yes	No.
TX	Yes	No.
UT	Yes	No.
WI	Yes	Yes. As provided in Wisconsin Administrative Code ch. PSC 160, Wisconsin telecommunications providers with intrastate gross telecommunications revenues of less than \$200,000 during a previous calendar year are exempt from assessment. Wis. Admin. Code ch. PSC 160 was amended, effective May 1, 2000, to make CMRS providers subject to USF assessments. CMRS includes personal communications services, cellular, and paging providers. In an order dated Dec. 20, 2001, in docket 05 GF 104, the Commission continued the suspension, which was initiated in November 2000, of the USF assessment for CMRS providers. The CMRS USF assessment suspension will continue at least until the Commission completes its review of the USF rules in Wis. Admin. Code ch. PSC 160 (docket 1 AC 198).
WY	Yes	No.

information. The result is summarized in Table 10.

Types of Carriers Eligible for State High-Cost USFs

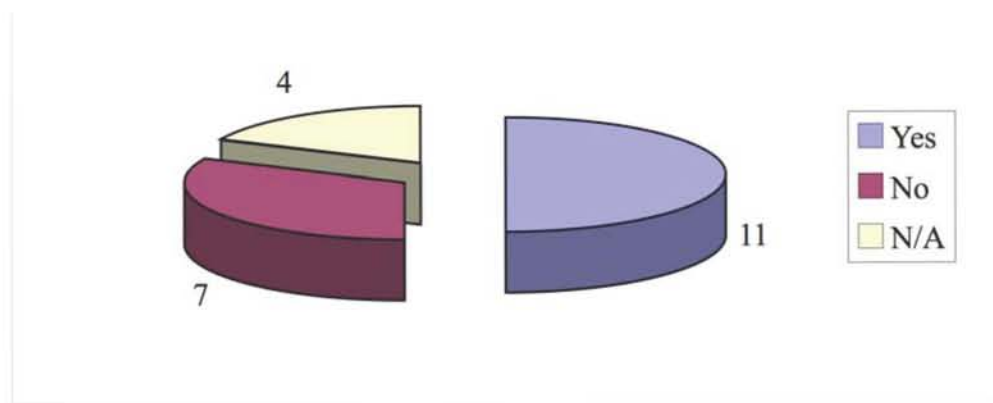
The types of carriers eligible for state high-cost fund vary across states, depending upon the purpose of the specific fund. In six states (Arkansas, California, Idaho, Kansas, Nebraska, and Wyoming), all providers of basic local exchange telephone service are eligible to receive support from the state high-cost funds. Eight of the 22 states reported that they allow wireless

carriers to receive high-cost funds. In California, Nevada, and South Carolina, only carriers of last resort are eligible to receive state high-cost funds. Details are presented in Table 11.

Basis to Determine Support from State High-Cost USFs

The support from the state high-cost fund can be determined based upon several different standards: costs of providing the basic telephone service, revenue requirement, or basic service rate. State commissions may employ

Half the states with a USF require carriers to be ETCs to draw from the funds.



Source: Authors' construct from survey responses.

Fig. 5. Does a carrier need to be an ETC to draw from state high-cost fund?

TABLE 10

QUESTION 13: DOES A CARRIER NEED TO BE AN ETC TO DRAW FROM YOUR FUND?

Yes	AK, CA, ID, IN, KS, NV, OR, SC, TX, UT, WI [11]
No	AZ, CA, IL, NE, PA, WA, WY [7]
N/A	AR, FL, ME, VT [4]

TABLE 11
QUESTION 14: WHICH OF THE FOLLOWING ARE ELIGIBLE TO RECEIVE SUPPORT FROM YOUR INTRASTATE HIGH-COST FUND?

AK	X	X	X	X	X	X
If the carrier is a federal ETC, it qualifies as a state ETC. All of the above companies could conceivably apply for ETC status.						
AZ	X		X	X	X	X
Providers of basic local exchange telephone service may apply. The Commission has not decided whether wireless carriers are eligible for state high-cost support.						
CA	X	X	X	X	X	X
Carriers of Last Resort.						
CO	X	X	X	X		
ID	X	X	X	X	X	
IL	X					
IN	X	X	X			
As long as they are granted ETC status, a company would be eligible.						
KS	X	X	X	X	X	X
A competitive ETC cable provider is eligible to begin receiving state support.						
ME	X			X	X	
Only incumbents may draw from state fund.						
NE	X	X	X	X	X	
In order to receive state high-cost support in Nebraska, a carrier has to apply to be a Nebraska ETC, which is not automatic for those carriers that have federal ETC status. Also, a carrier does not have to have federal ETC status in order to be an Nebraska ETC.						
NV	X			X	X	
Must be the provider of last resort to receive state USF.						
OR	X			X	X	
We have no other designated ETCs other than the ILECs.						
PA	X					
SC	X			X	X	X
No other types of carriers have applied for state USF funds, so in general their eligibility has not been determined by the Commission.						
TX	X		X	X	X	X
At this time, the Commission has designated only fixed wireless service providers as eligible telecommunications providers able to receive state USF – (Dial-tone Services, Inc., a satellite provider (Docket No. 30812), and Western Wireless for its fixed CMRS services (Docket Nos. 22289/22295).						
UT	X				X	
Although RBOCs never apply for the fund.						
VT					X	
WA						X
LECs that demonstrate a need for extra revenue to support universal service. In practice, nearly all are ETCs; however, there is at least one exception.						
WI	X		X	X	X	
PSC 160.091 Qualifications for providers receiving universal service funding for high rate assistance credits. A local exchange service provider receiving reimbursement for high rate assistance credits under S. PSC 160.09 shall:						
(1) Provide service that meets the minimum requirements of S. PSC 160.03 and any applicable quality of service administrative rules established by or orders issued by the commission						
(2) Be designated by the Commission as an ETC under S. PSC 160.13 for the area in which it seeks reimbursement						
(3) Show that it has applied any money it receives from the federal high-cost program, to the extent permitted under FCC regulations, to the rates for which it is issuing credits, and not to other services or to ineligible customers						
(History: Cr. Register, April 1996, No. 484, effective. 5–1–96; r. and recr. Register, April 2000, No. 532, effective 5–1–00.)						
WY	X	X	X	X	X	X

different standards in practice. Details are shown in Table 12.

Embedded Versus Economic Cost Standard

Among the 13 states that use a cost standard for providing state high-cost support, four states use an embedded/accounting cost standard; three states use an economic cost standard (cost proxy model); and five states use mixed cost standards, i.e., using cost proxy model for non-rural/big eligible providers and accounting cost standard for rural/small eligible providers. The responses are presented in Table 13.

Definition of a “High-Cost” Loop

Commissions were asked how they define a “high-cost” loop. Ten states responded to this question. The results are shown in Table 14. In California and Idaho, “high-cost” is defined as the cost/price exceeding a certain percentage of the state average cost/price. In Kansas and Nebraska, “high-cost” is defined as the cost determined by the cost proxy model exceeding the benchmark. In Nevada, Oregon, Texas, and Washington, “high-cost” is defined as the cost above the specified rate level or revenue benchmark. Utah has no specific definition of a “high-cost” loop.

Cost Basis for Different Providers

Commissions were asked whether all providers are funded on the same basis. Seventeen states responded to this question. Among them, 12 states, or 71 percent, responded that

they apply the same cost basis in determining high-cost USF for all providers; four states, or 24 percent responded that they use different bases for all providers. In South Carolina, the answer is undetermined. The responses are presented in Table 15.

Support for Non-ILECs versus Support for ILECs

Commissions were asked whether non-ILEC companies receive the same level of per-line support as ILECs from their state high-cost USF. Of the eighteen states that responded to this question, eight, or 44 percent, answered yes; ten states, or 56 percent, answered no. The responses are presented in Table 16.

Affordability Standard for State High-Cost USFs

Of the 19 commissions that responded to this question, ten commissions, or 53 percent, reported that they have established an affordability standard for use in state high-cost USF programs. The majority of the affordability standards are fixed rate benchmarks. Some states use an average state rate. Wisconsin has a unique standard – a percentage benchmark of median household income is used to define affordability. Nine commissions, or 47 percent, answered that they have no affordability standard for state high-cost USF programs. Responses are presented in Table 17.

Mechanisms for disbursing state high-cost USF vary across states. Respondents provided descriptions of their mechanisms from different perspectives. The state high-cost USF is usually disbursed monthly. However,

Definitions of high-cost used:

- *Cost/price exceeding a specified percentage above the state average*
- *Cost above a benchmark in the cost proxy model*
- *Cost above a specified rate level or revenue benchmark*

Affordability standards mostly use fixed rate benchmarks. Wisconsin has a unique standard: a percentage benchmark of median household income.

TABLE 12
QUESTION 15: WHAT BASIS IS USED TO DETERMINE WHETHER A CARRIER MAY DRAW FROM THE INTRASTATE HIGH-COST FUND? FOR EXAMPLE, IS IT LINE COSTS, REVENUE REQUIREMENT, ACCESS CHARGE REDUCTIONS, ETC.?

AK	If it is a federal ETC, it may draw from the fund. However, state local switching support is limited based on size of company (in lines) and separated costs for switching.
AZ	Historically, eligibility is determined in the context of revenue requirement in a rate case.
CA	Costs of providing basic service. The Commission has determined that the engineering cost studies (Proxy Cost Models), which set the revenue benchmarks for determining support amounts for non-rural eligible providers, is sufficient. However, the Proxy Cost Model would not be adequately developed for use in setting support for rural eligible providers. The Commission currently utilizes the accounting cost methodology for determining support amounts for rural eligible providers.
CO	ETCs with line costs or access charges that exceed weighted statewide averages.
ID	Fewer than 35,000 lines.
IL	Revenue requirements.
IN	Must be a designated ETC. Initially, state USF was paid to ILECs for revenue-neutral intrastate access reductions. Intrastate access reductions occur every two years. Rate-of-return regulated carriers' support is based on embedded costs, as determined by an intrastate revenue requirement determination. Price-cap carriers' state USF is based on the commission-adopted cost model.
KS	Per-line revenue requirement above benchmark – companies use Verizon rate as a benchmark, anything above this is covered by the fund.
ME	First, carriers must have NETC status. For incumbent carriers, the Nebraska USF Department uses an econometric model to determine support based on cost, revenue, 12 percent earnings cap, investment, and access charges. CLEC ported funding is established in their Order requesting support.
NE	Revenue requirement.
NV	Based on the rural carrier's embedded basic service cost (at the study area level unless the carrier chooses to disaggregate), e.g., unseparated loop cost plus usage minus federal high-cost loop support, switching support, interstate common line support or interstate access support and other contributions to loop cost such as the subscriber line charge. The Oregon USF funds down to the benchmark of \$21.00 which is the average loop cost of Qwest and Verizon in Oregon.
OR	For Qwest and Verizon, their support per line is based on an economic cost model. The cost per line is also reduced by federal support as noted above and supported to the \$21.00 benchmark by wire center.
PA	Revenues and access lines.
SC	The carrier must be a carrier of last resort (COLR) as determined by the Commission.
TX	Depending on the type of ETC/ETP, line costs, revenue replacement and access charge reductions are all parts of the determination. (See P.U.C. SUBST. R. 26.403 and P.U.C. SUBST. R. 26.404, downloadable from the Commission website).
UT	Revenue requirement.
WA	Line costs.
WI	Retail residential rate for a defined set of services versus median household income in the county.
WY	If rate for basic local exchange service is greater than 130 percent of the weighted statewide average rate – calculated annually (price-based).

TABLE 13 SUMMARY**QUESTION 15 (A): IF A COST STANDARD IS USED, IS IT BASED ON EMBEDDED COST OR A PROXY COST MODEL?**

Embedded	AK, ID, NV, SC [4]
Proxy Cost Model	CA, NE [2]
Mixed	CO, KS, OR, TX, UT, WA [6]
Other	WY [1]

TABLE 13

AK	Embedded cost.
CA	Proxy Cost Model; alternatives will be examined in 2006.
CO	Engineering cost studies (Proxy Cost Models) for non-rural eligible providers is sufficient; accounting cost methodology for rural eligible providers.
ID	Embedded cost. For price cap carriers and ETCs serving within their areas, a proxy model is used. Rural ILECs have elected to remain rate-of-return carriers. It results in state support
KS	being based on embedded revenue requirement determinations. Competitive ETCs serving in a rural LEC study area are currently eligible to receive the same amount of support on a per-line basis as the ILEC.
NE	The cost standard is based on a proxy cost model.
NV	Embedded cost.
OR	Embedded cost for rural ILECs and economic cost model for non-rurals (Qwest and Verizon).
SC	Embedded costs were used to determine the cost of basic local service. For large ILECs, the Commission adopted a proxy cost model for disbursing support
TX	(Docket No. 18515), and a revenue replacement standard was used for small ILECs (Docket No. 18516). In non-rate-of-return regulated incumbent telephone corporation territories, the funding is based on USF proxy model cost estimates of the incumbent and
UT	incumbent's revenue. In rate-of-return regulated incumbent telephone corporation territories, the funding is based on the incumbent's total embedded costs and revenue. (See R746-360)
WA	Non-rural ILECs on proxy model; rural ILECS on embedded costs.
WY	It is price-based. Prices for local exchange service in Wyoming were developed using Total Service Long Run Incremental Cost.

TABLE 14
QUESTION 15 (B): IF A COST STANDARD IS USED, WHAT IS THE DEFINITION
OF A “HIGH-COST” LOOP?

CA	A high-cost area is one in which the cost of providing basic service exceeds the statewide average as adopted by the Commission.
CO	Same as FCC's. Exchange rates exceeding 125 percent of the weighted statewide average.
ID	Average charge for MTS/WATS service exceeding 100 percent of the weighted statewide average. “High-cost” is defined in the proxy model as costs exceeding 135 percent of the
KS	national loop cost. For Rural LEC areas, high cost is based on embedded revenue requirement determinations.
NE	The econometric model uses a Support Allocation Methodology that determines cost based upon density.
NV	USF is granted in the amount necessary to allow a company to obtain its authorized rate-of-return (ROR).
OR	Above \$21.00 benchmark after offsets for federal support.
TX	In Docket No. 18515, the Commission established revenue benchmarks (\$38 per residential line, \$52 per business line); providers receive support on a line whose costs exceed the revenue benchmark and federal USF support available for that line.
UT	No specific definition. In non-rate-of-return regulated territories, ETCs may recover the difference between USF proxy model cost estimates of the incumbent and incumbent's revenue. In rate-of-return regulated territories, carriers may recover the difference between the incumbent's total embedded costs and revenue. (See R746-360)
WA	Above \$31.00 per-month cost for residential; above \$51.00 per month business.

TABLE 15 SUMMARY
QUESTION 15 (C): IS THE BASIS THE SAME FOR ALL PROVIDERS OR ALL
TYPES OF PROVIDERS?

Yes	AZ, CA, CO, ID, IL, IN, KS, NV, OR, TX, WI, WY [12]
No	AK, NE, UT, WA[4]
N/A	SC [1]

TABLE 15

AK	No	State local switching support is based on the ILEC's embedded costs. For a small LEC and for an intermediate LEC that filed USF request before April 26, 1999 (the effective date of this Article 12 of the Arizona Administrative Code), the cost basis of determining Arizona USF support is the embedded cost of the incumbent provider. For a large LEC and for an intermediate LEC that filed more than three years after April 26, 1996, the cost basis is the Total Service Long Run Incremental Cost of the incumbent provider.
AZ	Yes	
CA	Yes	
CO	Yes	
ID	Yes	
IL	Yes	Same basis is applied only to landline providers.
IN	Yes	
KS	Yes	
NE	No	CLEC porting is determined by the Commission and is a function of UNE-P rates – cost.
NV	Yes	
OR	Yes	
SC	N/A	Since no other providers have applied for withdrawals from the South Carolina USF, no determination has been made as to cost base methodology for them.
TX	Yes	
UT	No	Only rural ILECs are rate of return regulated in Utah. The one RBOC in Utah, Qwest, was deregulated in 2004. For Qwest, USF proxy models selected by the Commission and average revenue per line are used to determine fund distributions within designated support areas.
WA	No	Rural ILECs were evaluated on revenue requirement.
WI	Yes	
WY	Yes	

TABLE 16 SUMMARY**QUESTION 16: DO NON-ILEC COMPANIES RECEIVE THE SAME LEVEL OF PER-LINE SUPPORT AS ILECS FROM YOUR STATE HIGH-COST USF?****Yes** AZ, CA, CO, ID, IN, KS, OR, WY [8]**No** AK, IL, ME, NE, NV, SC, TX, UT, WA, WI [10]**TABLE 16**

AK	No	Non-ILEC qualifies for the local switching support. All non-ILEC ETCs qualify for the Lifeline support same as the ILEC. No non-ILEC receives public interest pay phone funding.
AZ	Yes	None are currently receiving Arizona USFs.
CA	Yes	
CO	Yes	
ID	Yes	
IL	No	Only landline non-ILEC providers receive the same level of support as ILECs.
IN	Yes	They should, but again, many technical issues have yet to be determined because of the appeal status.
KS	Yes	This may change based on the Kansas Appeals Court remanding the competitively neutral, portability issue back to the Commission.
ME	No	Non-ILECs not eligible for state support.
NE	No	Support is based not on a per-line basis but on an econometric model that determines cost of providing service in the carriers' territory.
NV	No	Based on revenue requirement and ROR.
OR	Yes	If they become eligible in the rural company areas. In the non-rural areas, if the non-ILEC company provides service using UNEs or some form of UNE-L etc, there is a sharing mechanism in place where Qwest or Verizon and the non-ILEC share the Oregon USF support amount.
SC	No	If a carrier utilizes another carrier's facilities, the support for that facility goes to the facility provider. Distributions are based on revenue neutrality.
TX	No	For the large ILEC fund, the Commission established a sharing mechanism for non-ILECs, which receive a certain amount of support based on the number of network elements used to provide service to the retail end user (e.g., UNE-P, loop only, etc.) (P.U.C. SUBST. R. 26.403, available for download at http://www.puc.state.tx.us/rules/subrules/telecom/26.403/26.403.pdf). For the small ILEC fund, ETC/ETPs receive the same level of per-line support as the ILEC. Total service resale providers are not eligible to receive any state USF, and all ETC/ETPs who overbuild the ILEC receive the same level of per-line support as the ILEC.
UT	No	Rural ILECs in Utah are exempt from competition and are the only providers in each of their respective high-cost areas. All 16 rural ILECs are rate of return regulated in Utah, all other companies are not ROR regulated; they provide service in urban areas. Considering that they do not provide service in high-cost areas, they cannot collect monies from the Utah USF. Our RBOC also does not receive high-cost support. It does, however, receive monies from the Utah USF for the provision of state Lifeline/Link-Up.
WA	No	Washington has no fund.
WI	No	It is based on the individual carrier's retail residential rates.
WY	Yes	

TABLE 17 SUMMARY**QUESTION 17: HAS YOUR STATE ESTABLISHED AN AFFORDABILITY STANDARD FOR USE IN ITS STATE HIGH-COST UNIVERSAL SERVICE SUPPORT PROGRAM?**

Yes	CO, IL, IN, KS, NE, NV, SC, UT, WI, WY [10]
No	AK, AZ, CA, FL, ID, OR, TX, VT, WA [9]

TABLE 17

AK	No	
AZ	No	
CA	No	
CO	Yes	By Statute 40-15-502(3).
FL	No	
ID	No	
IL	Yes	The affordable rate is \$20.39, i.e., the difference between unit line costs and the affordable rate determines the subsidy per line.
IN	Yes	It is a rate benchmark of \$17.15 for residential and \$23.60 for business. Per Statute, rate of return regulated ILECs may increase rates to the statewide Target rate of \$12.00 for local service and \$15.00 for business. If a carrier elects not to reduce rates, the carrier's state USF support is reduced as if the rate increase had occurred.
KS	Yes	Price cap carriers have different local rates, as permitted by Commission orders.
NE	Yes	The Commission has established a benchmark rate of \$17.50 for residential customers.
NV	Yes	Rates must fall within a window of \$8.00 to \$16.00 for residential; \$16.00 to \$20.00 for business.
OR	No	
SC	Yes	The COLR must provide its services at not more than the Commission-authorized maximum stand alone rates for the defined basic local exchange telecommunications service, and must meet all service quality and provision rules established by the Commission for universal service.
TX	No	
UT	Yes	Rate Ceiling – To be eligible, a telecommunications corporation may not charge retail rates in excess of the Commission determined Affordable Base Rates for basic telecommunications service or vary from the terms and conditions determined by the Commission for other telecommunications services for which it receives USF support. (See R746-360)
VT	No	
WA	No	

TABLE 17 – *continued*

Clauses from PSC 160.09 “High rate assistance credits:”

Local exchange service providers shall issue high rate assistance credits according to the following criteria:

WI	Yes	(a.) For the portion of the price of service below 1.5 percent of median household income, per month, for the area in which the rate applies, no credits apply.
		(b.) For the portion of the price of service equal to or above 1.5 percent but below 2.0 percent of median household income, per month, for the area in which the rate applies, the local exchange service provider shall issue a credit equal to 50 percent of that amount.
		(c.) For the portion of the price of service equal to or above 2.0 percent but below 2.5 percent of median household income, per month, for the area in which the rate applies, the local exchange service provider shall issue a credit equal to 75 percent of that amount.
		(d.) For the portion of the price of service equal to or above 2.5 percent but below 3.0 percent of median household income, per month, for the area in which the rate applies, the local exchange service provider shall issue a credit equal to 85 percent of that amount.
		(e.) For the portion of the price of service equal to or above 3 percent of median household income, per month, for the area in which the rate applies, the local exchange service provider shall issue a credit equal to 95 percent of that amount.
		(f.) When a rate applies in only one county, the median household income, as published by the Wisconsin Department of Workforce Development, used to calculate the credit shall be that of that county in which the rate applies. When a rate applies in more than one county, the median household income used to compute the credit shall be the average of the median household incomes in each county in which the rate applies, weighted by the number of customers paying that rate in each county.
		(g.) If the amount of money required to reimburse local exchange service providers for credits under this section exceeds the amount budgeted for this program under S. PSC 160.17, the commission may modify the formula for high rate assistance credits. Such modification may be done by commission order, after notice and an opportunity for hearing.
WY	Yes	The legislature established 130 percent of the statewide average rate as the support benchmark. This support benchmark is calculated annually.

Competitive bidding is usually used to select a third-party administration.

High-cost fund disbursements range from \$183,000 to \$468 million.

some states disburse the fund quarterly or even annually. Many states contract the fund disbursement to a third-party agency. Table 18 shows the responses from the states.

Administration of the State High-Cost Fund and Review of State High-Cost USFs

Of the 19 states that responded to this question, five states, or 26 percent, responded that the state public utility commission administers the state high-cost fund. Thirteen states, or 68 percent, responded that they contract the administration of state high-cost USF to a third-party. Among the 13 states, seven use NECA Services/Solix, Inc. as the administrator. In South Carolina, due to the 2005 split into two agencies, the administrative branch of the commission is in charge of the fund administration, while the commission has judicial control over it. Indiana's high-cost fund is not functioning now, but the commission is considering using a third-party administrator once their USF starts functioning.

The commissions were asked whether their state or administrator reviews contributions and contributors to ensure appropriate reporting for state USF purposes. Of the 19 states that have responded to this question, all but two (Pennsylvania and Washington) answered that the state or state administrator reviews contributions and contributors to ensure appropriate reporting for the state USF purposes, regardless who is the administrator. Pennsylvania and Washington do not have any review process because of the alternative mechanisms they have to

maintain local rates in high-cost areas. Responses for the two questions are presented in Table 19.

Selection of Third-Party Administrators

Of the 13 states that contract with a third-party to administer the state high-cost fund, nine commissions, over two-thirds, use competitive bidding processes to select the administrator over a certain period of time. Details of the selection process are presented in Table 20.

Amount of Disbursement for State High-Cost USFs

Commissions were asked about the amount of the fund disbursed by their state high-cost fund during 2004 or 2005. The disbursement ranges from about \$182,571 (Nevada) to over \$468 million (California). Although these figures are not directly comparable, as they are of different time periods, they give a general sense of the size of different state high-cost funds. Please note that the figure provided by South Carolina includes all state USF programs. The disbursement amount and the specific time periods for the disbursement are presented in Table 21.

Phase-down Mechanism for Rural Carriers

Commissions were asked whether they have a phase-down mechanism for rural carriers to reduce support over time. Of the 17 states that responded to this question, only Colorado and Illinois reported that they have a phase-down mechanism for rural

TABLE 18
QUESTION 18: WHAT MECHANISM DOES YOUR COMMISSION USE FOR
DISBURSING FUNDS?

AK	The Alaska Universal Service Administrative Company (similar to USAC) arranges for disbursement.
AZ	From April 1996, Arizona USF disbursement shall be made 30 days following the date of Arizona USF collections. The Administrator shall not make Arizona USF support payments to a provider of telecommunications service until the Administrator has received a copy of a Commission decision authorizing the provider to receive such support. (Refer to A.A.C. R14-2-1208)
CA	Eligible carriers submit claims to the Commission. Carriers are paid after staff reviews the claims.
CO	The Administrator makes arrangements for payment.
FL	Carriers continue to fund their universal service obligations through markups on the services they offer; therefore, no disbursement mechanism is necessary since no funds are collected.
ID	Annual disbursement amount paid in 12 monthly increments.
IL	Money is distributed monthly by depositing checks in companies' accounts
KS	Carriers report monthly to the Administrator. State USF disbursements are netted with any Kansas USF assessment owed by the carrier, and paid monthly.
NE	Payment to company once a month.
NV	Quarterly disbursements.
OR	Based on basic service line counts per month times support amount per study area (for rurals) or wire center for Qwest and Verizon.
PA	Annual re-computation dependent upon access line increase or decrease among rural ILEC recipients.
SC	Payments are made monthly to carriers on the basis of reports provided to the administrator. State USF is provided on a per-line basis for residential lines and for the first five business
TX	lines; a third-party administrator, NECA (now Solix), administers the state USF, including disbursing support amount to providers.
UT	For telecommunications corporations eligible for USF support funds, prior to the end of each month, the fund administrator informs each qualifying telecommunications corporation of the estimated amount of support that it will be eligible to receive from the USF for that month. Net fund contributions are remitted to the Commission within 45 calendar days after the end of each month. If the net amount owed is not received by that date, remedies, including withholding future support from the USF, may apply. The Commission will forward remitted revenues to the Utah State Treasurer's Office for deposit in a USF account.
	Net Fund distributions to qualifying telecommunications corporations for a given month shall be made 60 days after the end of that month, unless withheld for failure to maintain qualification or failure to comply with Commission orders or rules. (See R746-360)
WI	Third-party administrator and written request for reimbursement.
WY	Funds are disbursed monthly to eligible carriers through either wire transfers or checks.

TABLE 19 SUMMARY**QUESTION 19: WHO ADMINISTERS YOUR STATE'S FUND?**

The commission	CA, CO, NE, UT, WY [5]
Another state agency	SC [1]
A third-party	AK, AR, AZ, ID, IL, IN, KS, NV, OR, PA, TX, VT, WI [13]
No administrator	FL, WA [2]
N/A	ME [1]

QUESTION 20: DOES YOUR STATE OR ADMINISTRATOR REVIEW CONTRIBUTIONS AND CONTRIBUTORS TO ENSURE APPROPRIATE REPORTING FOR STATE USE PURPOSES?

Yes	AK, AZ, CA, CO, ID, IL, IN, KS, NE, NV, OR, SC, TX, UT, VT, WI, WY [17]
No	PA, WA [2]
N/A	AR, FL, ME [3]

TABLE 19

AK	A third-party.	The Alaska Universal Service Administrative Company.	Yes.
AR	A third-party.	An independent board is contracted by the state to administer the fund.	N/A
AZ	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
CA	The Commission.		Yes.
CO	The Commission.		Yes.
ID	A third-party.	Alyson Anderson.	Yes.
IL	A third-party.	Illinois Small Companies Exchange Carrier's Association.	Yes.
IN	A third-party.	The use of an administrator is contemplated.	Yes.
KS	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
NE	The Commission.		Yes.
NV	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
OR	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
PA	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	No.
	Another state agency.	The South Carolina Public Service Commission was split into two agencies by the state legislature effective Jan. 1, 2005. Upon that split, the administrative and normal staff functions went to the Office of Regulatory Staff (ORS). The Commission retains judicial control, but the day-to-day functions are within the ORS.	Yes.
SC			
TX	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
UT	The Commission.		Yes.
VT	A third-party.	Solix, Inc. (formerly NECA Services, Inc.).	Yes.
WA	N/A.		No.
WI	A third-party.	Wipfli, LLP.	Yes.
WY	The Commission.		Yes.

TABLE 20
QUESTION 21: IF YOUR STATE'S FUND IS NOT ADMINISTERED BY THE
COMMISSION OR ANOTHER STATE AGENCY, HOW WAS THE
ADMINISTRATOR CHOSEN OR SELECTED? THAT IS, WHAT WAS THE
SELECTION PROCESS?

AK	Alaska Universal Service Administrative Company (USAC) was created by the Commission to administer the fund. A private, neutral third-party is selected through the competitive bid process and appointed by the Commission to serve as Administrator of the Arizona USF.
AZ	WEST Communications, Inc., served as interim Administrator of the Arizona USF for a transition period between April 1996 and February 1997. (Refer to A.A.C. R14-2-1212.)
ID	Through application process.
IL	Recommended by parties in the state USF proceeding. An oversight committee was established for the selection process and the
IN	Commission must oversee it and make the final selection from a competitive bidding process. The Commission issued a Request for Proposal to select the Administrator. The
KS	contract was amended and extended without the issuance of another RFP. The current contract expires July 1, 2007.
NV	Through bidding process.
OR	RFP process.
PA	Competitive bidding process.
TX	Request for proposal.
VT	The contract is based on competitive bidding and renewed every three years.
WI	RFP bidding process.

TABLE 21
QUESTION 22: HOW MUCH WAS DISBURSED BY YOUR INTRASTATE HIGH-COST FUND
DURING 2004 (OR OTHER RECENT PERIOD SUCH AS THE 2004-2005 FISCAL YEAR)?

AK	\$3 million.	2004.
AR	About \$18 million.	Annually.
AZ	Approximately \$841,000.	2004.
CA	Over \$468 million.	2004.
CO	\$69 million.	2004.
ID	\$1,973,671.	Fiscal year 2005.
IL	\$8.6 million.	2004 – 2005.
IN	To be determined.	
KS	\$50.949 million.	March 2004 - February 2005.
NE	\$68.35 million.	2004 – 2005.
NV	\$182,571.	2004.
OR	\$52.3 million.	2005.
PA	\$34 million.	2004.
	\$53,630,523.	Fiscal year 2006.
SC	It includes all of those functions. The amount is the current total to be distributed from the fund. It includes both year-to-date disbursements and the remainder of this fiscal year.	
TX	\$540,157,435.	Fiscal year 2004.
UT	Approximately \$6.2 million balance.	As of January 2006.
WA	No fund, but about \$70 million in above-cost access charges were collected.	
WI	\$318,365.00 (High Rate Assistance).	July 01, 2004 - June 30, 2005.
WY	\$4,089,582.	2004 – 2005.

TABLE 22 SUMMARY
QUESTION 23: DOES YOUR STATE HAVE A PHASE-DOWN MECHANISM FOR RURAL CARRIERS TO REDUCE SUPPORT OVER TIME?

Yes	CO, IL [2]
No	AK, AZ, CA, ID, KS, NE, NV, OR, PA, SC, TX, UT, VT, WI, WY [15]

TABLE 22

CO	Yes	Under the phase-down provision, support for rural carriers would be reduced over a seven-year period, from 100 percent the first two years, to 82.5 percent the third year, 65 percent the fourth year, 40 percent the fifth year, 20 percent the sixth year, and zero percent the seventh year.
IL	Yes	The state had a five-year phase down. Companies were expected to increase local line rates to \$20.39 over a five-year period. Each time rates were increased, the USF fund size was decreased.
NE	No	The Commission does not have a phase-down targeted specifically at rural carriers. The Commission just completed a docket creating the permanent high-cost funding mechanism. We have allowed for a five-year transition period for all carriers who will see a reduction in support.

carriers. Colorado has a seven-year plan and Illinois has a five-year plan. The responses are presented in Table 22.

ETCs DESIGNATION

In March, 2005, the FCC clarified ETC requirements and gave permissive guidelines to states on the public interest standard in rural areas. In that order, the FCC noted that, in certifying Competitive ETCs (CETCs), states could consider such factors as the benefits of increased consumer choice and unique advantages and disadvantages of the competitor applying for ETC status as well as impact on the high-cost fund, and that the public interest may be served by a state limiting the number of ETCs to lessen the strain on the high-cost fund.

FCC has made some recommendations on the state designation of ETCs,

in terms of procedures of designation, annual reporting requirement, and requesting a five-year service quality improvement plan from ETCs. Commissions were asked about their reactions to the FCC Order 05-46. Responses are presented in the following subsections.

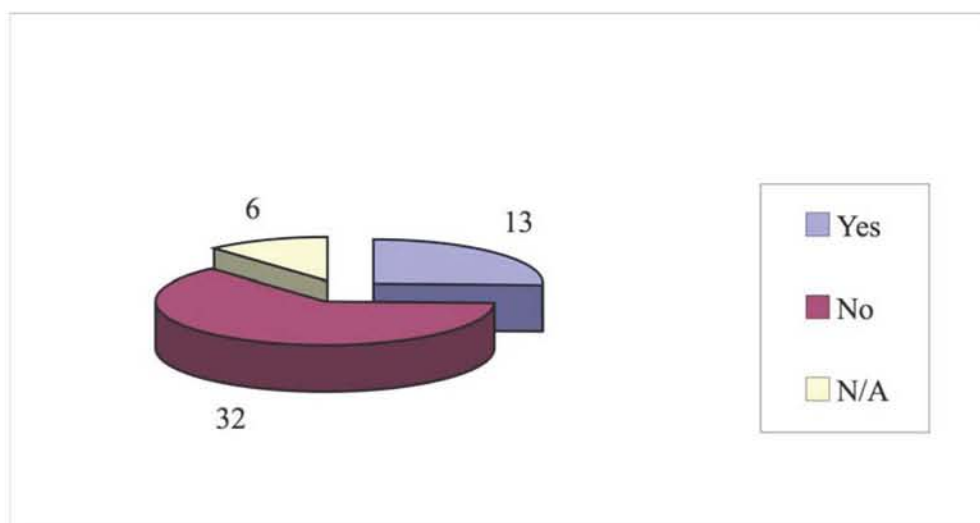
Changes in Procedures or Rules for Designating ETCs

States were asked if they have made any changes in their procedures or rules for designating ETCs (especially in rural areas) as a result of the FCC’s March 17, 2005 ETC Order. As shown in Figure 6, thirteen, or 25 percent, reported that they have made procedural changes. Thirty-two states, or 63 percent, reported that they have not. However, at least seven commissions that responded “no” also indicated that the rule making is still pending in their states. The other six commissions either did not provide

Two states reported having a mechanism to phase down support to rural carriers.

The FCC gave states some flexibility in interpreting the public interest standard for ETC designation.

Twenty-four states have adopted annual reporting standards in conjunction with state ETC certification.



Source: Authors' construct from survey responses.

Fig. 6. Changes in procedures or rules for designating ETCs as a result of the FCC's March 17, 2005 ETC Order.

responses or reported the change is undetermined. The responses are presented in Table 23.

Annual Reporting Requirement regarding State ETC Certification

As shown in Figure 7, 24 states, or 47 percent, reported that they have adopted annual reporting requirements regarding state certification of support for ETCs. Eighteen states, or 35 percent, reported that they have not. The others either did not provide information or indicated the result is unknown. Responses are presented in Table 24.

Five-Year Service Quality Improvement Plan for ETCs

As shown in Figure 8, 11 state commissions, or 22 percent, reported that they have adopted the FCC's five-

year service quality improvement plan for ETCs contained in the FCC's ETC Order. Although 34 jurisdictions indicated that they have not done so, at least six commissions indicated that the decision was still pending in open dockets in their states. Besides, some states required a quality plan at a shorter interval. The remaining six commissions either provided no information or indicated that the result is uncertain. Responses are presented in Table 25.

AUDITING THE USE OF STATE HIGH-COST USFs

Commissions were asked whether they have done any audits or investigations to determine how universal service support has been used by the recipients. As summarized in Table 26, of the 42 commissions that responded to this question, 14 states, or 33 percent,

TABLE 23 SUMMARY
QUESTION 24: HAS YOUR COMMISSION MADE ANY CHANGES IN ITS PROCEDURES
OR RULES FOR DESIGNATING ETCs (ESPECIALLY IN RURAL AREAS) AS A RESULT
OF THE FCC'S MARCH 17, 2005 ETC ORDER?

Yes	AL, AZ, CA, FL, ID, IN, MI, MN, MO, NM, OK, WV, WY [13]
No	AK, AR, CO, CT, DE, GA, HI, IA, KS, KY, LA, MA, MD, MS, MT, NC, ND, NE, NH, NJ, NV, OH, OR, SC, SD, TN, TX, UT, VA, VT, WA, WI [32]
N/A	DC, IL, ME, NY, PA, RI [6]

TABLE 23

AL	Yes	Not in the order at this time. The Commission is making applicants comply with FCC order.
AZ	Yes	Incorporated into staff's recommendations for ETC designation docket.
CA	Yes	The Commission adopted FCC 05-46 guidelines in Resolution T-17002 (March 25, 2006).
FL	Yes	While the Commission has not changed its formal rules, it has incorporated additional analysis that tracks the FCC's order.
IA	No	The Commission has a proposed rulemaking underway so changes could be made soon.
ID	Yes	Matched FCC's requirements except that the state requires two-year plan.
IL	TBD	The commission is in middle of proceeding to determine whether changes are appropriate.
IN	Yes	Has adopted the new FCC guidelines in full.
KS	No	The Commission has opened a docket to address the FCC's order and other ETC issues.
LA	No	Open Docket U-28954.
MI	Yes	Case No. U-14530 was approved Oct. 18, 2005 and mirrors the FCC's March 17th Report and Order. As of Oct. 1, 2006, all new and current ETCs must submit reports in accordance with the new requirements. Link to Case No. U-14530 Order: http://efile.mpsc.cis.state.mi.us/cgi-bin/efile/viewcase.pl?casenum=14530 . The Commission adopted the FCC requirements with the following modifications:
MN	Yes	(a.) Carriers may file two-year plans, instead of five-year plans. (b.) Carriers may file information on a service area basis instead of a wire center basis. (c.) Service quality standards will be looked at on a per-case basis instead of allowing for compliance with CTIA code. The Commission is currently working on a proposed rulemaking procedure in Case No. TX-2006-0169 to develop a rule to establish criteria for submission to the Commission when a company seeks designation as an ETC and to establish criteria for carriers designated as ETC. A public hearing on the proposed rule is scheduled for Jan. 6, 2006, and the proposed rule will need to be finalized by the end of the first quarter 2006.
MO	Yes	The Commission has initiated a docket (05-AD-662) to review criteria for ETC designations.
MS	No	Prior to the FCC's order in early 2004, the Commission had initiated an ETC rulemaking that was concluded in the second quarter 2005.
MT	No	A rulemaking is currently pending. See http://www.psc.state.nd.us/actions/notices.html .
ND	No	The Commission adopted the FCC recommendations.
NE	No	Open Docket U-28954.
NH	No	See NMAC 17.11.10.
NM	Yes	The Commission now routinely requires that applicants requesting ETC designation or expansion of ETC service territory provide all information and commitments required by the March 17, 2005, ETC Order (as evidence to be considered in the Commission's public interest determination for rural areas).
OK	Yes	The Commission is working on implementing FCC's Order.
PA	N/A	The Commission has a generic proceeding on the docket, but have not yet held hearings.
SC	No	Adopted FCC standards.
WV	Yes	Rule making to establish ETC designation rules is currently in process before the Commission.
WY	Yes	

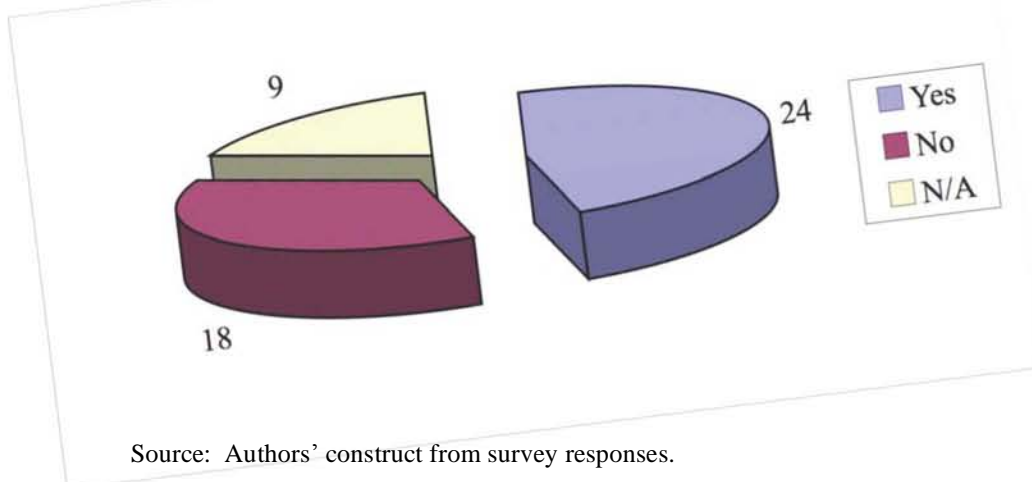


Fig. 7. Annual reporting requirements regarding state certification of support for ETCs.

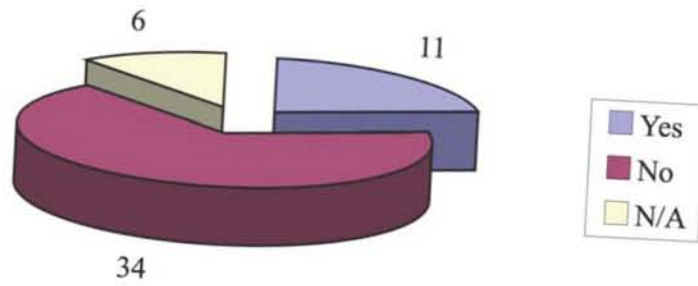
TABLE 24 SUMMARY

QUESTION 25: HAS YOUR COMMISSION ADOPTED ANNUAL REPORTING REQUIREMENTS REGARDING STATE CERTIFICATION OF SUPPORT FOR ETCs?

Yes	AL, AR, CA, FL, HI, IA, ID, IN, KS, KY, MI, MN, MO, MS, MT, NE, OK, PA, SC, UT, VA, VT, WV, WY [24]
No	AK, CO, CT, DE, LA, MA, MD, NC, ND, NH, NJ, NM, NV, SD, TN, TX, WA, WI [18]
N/A	AZ, DC, GA, IL, ME, NY, OH, OR, RI [9]

TABLE 24

AZ	TBD	Under consideration in an ETC designation docket.
CA	Yes	The Commission's Resolution T-17002 requires ETCs to submit a two-year service quality improvement plan.
MO	Yes	The Commission created annual reporting requirements in Case No. TO-2002-347 as subsequently amended. Note that it is possible that these requirements will be supplemented as a result of the proposed rulemaking mentioned in the response to Question 24.
NM	No	Staff has made a recommendation.
OR	TBD	In process in Docket UM 1217.
SD	No	There are reporting requirements, but they are not the same as the FCC's.
VA	Yes	Annual certification by each LEC.
VT	Yes	Annual reports are required from every ETC and twice-annual reports from independent ILECs.



Source: Authors' construct from survey responses.

Fig. 8. Adoption of the FCC's five-year service quality improvement plan for ETCs.

TABLE 25 SUMMARY**QUESTION 26: HAS YOUR COMMISSION ADOPTED THE FCC'S FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN FOR ETCs CONTAINED IN THE FCC'S ETC ORDER?**

Yes	AR, CA, FL, IN, MI, MS, NE, NM, OK, PA, WV [11]
No	AK, AL, AZ, CO, CT, DE, HI, IA, ID, KS, KY, LA, MA, MD, MN, MO, MT, NC, ND, NH, NJ, NV, OH, OR, SC, SD, TN, TX, UT, VA, VT, WA, WI, WY [34]
N/A	DC, GA, IL, ME, NY, RI [6]

TABLE 25

AL	No	Not at this time, but docket is pending.
AZ	No	Under consideration in an ETC designation docket.
CA	Yes	The Commission's Resolution T-17002 requires ETCs to submit a two-year service quality improvement plan.
DE	No	Delaware has only one ETC, the ILEC Verizon Delaware Inc. Cellco Partnership d/b/a Bell Atlantic Mobile was granted ETC status in Delaware by the FCC on Dec. 22, 2000. Cellco has never operated as an ETC in Delaware and has never received any federal USF in Delaware.
FL	Yes	Docket No. 010977-TL Order No. PSC-05-0824-FOF-TL In Decision and Order No. 22228 filed on Jan. 17, 2006 in Docket No. 05-0243, the commission adopted annual certification procedures and requirements that reflect a modified version of a joint proposal filed by Hawaiian Telcom, Inc.; Sandwich Isles Communications, Inc.; NPCR, Inc., dba Nextel Partners; and the Division of Consumer Advocacy of the State Department of Commerce and Consumer Affairs.
HI	No	These procedures reflect a change to the FCC's five-year service quality improvement plan requirement; i.e., rather than a five-year plan developed on a wire center basis, ETCs will file plans that cover two calendar years and that are based on service area.
ID	No	Idaho requires a two-year plan.
MN	No	Modifications reflect Minnesota carriers' needs. The costs of preparing five-year plans at a wire-center level would outweigh the benefits.
MO	No	Not at this time. The proposed rulemaking referenced in the response to Question 24 does have a five-year service quality improvement plan.
ND	No	A rulemaking is currently pending. See http://www.psc.state.nd.us/actions/notices.html .
NH	No	Independent telephone companies self certify.
NM	Yes	Any entity seeking designation as a state or federal ETC, or an existing ETC that is not an ILEC which may receive support from the fund to achieve revenue neutrality in connection with its reductions in intrastate switched access rates and seeks support from the fund must file a petition with the commission. In the case of a petition for ETC designation and support rate, the petition shall provide a five-year plan demonstrating how support from the fund will be used to improve the petitioner's coverage, service quality or capacity throughout the service area for which it seeks designation. (See 17.11.10 NMAC)
OK	Yes	The Commission has informally adopted the five-year service quality improvement plan for ETCs. Please see response to Question 24.
OR	No	In process in docket UM 1217, which is in the testimony phase of the docket.
PA	Yes	For upcoming Oct. 1, 2006 certification letter.
SC	No	The Commission has directed that a generic docket be opened in order to consider revisions to the ETC designation process.
UT	No	The Commission is considering this.
WA	No	Rulemaking under way in docket No. UT-053021.
WI	No	The Commission has not yet addressed the issue.

TABLE 26

QUESTION 27: HAS YOUR COMMISSION DONE ANY AUDITS OR INVESTIGATIONS TO DETERMINE HOW UNIVERSAL SERVICE SUPPORT HAS BEEN USED BY THE RECIPIENTS?

Yes	AK, AL, CO, IN, KS, MO, MS, MT, NE, OK, PA, VT, WI, WV [14]
No	AZ, CA, CT, DC, DE, FL, GA, HI, ID, IL, LA, MA, MD, MI, ND, NH, NJ, NM, NV, OH, OR, SC, SD, TN, TX, UT, VA, WA [28]
N/A	AR, IA, KY, ME, MN, NC, NY, RI, WY [9]

reported that they have done audits or investigations. In most cases, the commissions found the recipients were in compliance with state USF policies. Twenty-eight states, or 67 percent, reported that they have not done so. Comments and audits/investigation findings are presented in Table 27.

STATE LOW-INCOME SUBSIDY PROGRAMS

According to the Federal-State Joint Board on Universal Service's (the Joint Board) Universal Service Monitoring Report in 2005, all but four states (Hawaii, Idaho, Louisiana, and New Hampshire) provide state support to the federal Lifeline/Link-Up programs. In this report, we used information reported by the respondents from the state public utility commissions. In some states, telecommunications carriers may fund and operate state Lifeline and/or state Link-Up programs. Such funds are counted as state support to the federal Lifeline/Link-Up programs and be eligible for federal matching fund. However, since they are operated by individual carriers, they may not be available outside the carriers' service territory. The state commission may have no

oversight over the operation of the fund and therefore may not report it in our survey. For example, in Pennsylvania, Verizon has operated a Lifeline 100 Program since 1997. Because it is not funded or administered by the state commission, we classify it as "No."

As summarized in Table 28, of all the jurisdictions, 33, or 65 percent, reported that they have a state low-income program (state Lifeline/Link-Up). Eighteen jurisdictions, or 35 percent, reported they don't have a state low-income program. Figure 9 shows the comparison in the number of jurisdictions that have and do not have state low-income subsidy programs. Figure 10 maps the status of state low-income subsidy programs across the United States.

Years in which the State Low-Income Subsidy Programs Started Operation

State commissions were asked when their state low-income subsidy programs began operation. Of the 29 jurisdictions that responded to this question, 15 established the program in 1980s; 12 established the program in 1990s; two states (South Carolina and Missouri) established the program

About one-third of the states have conducted audits or investigations of their USFs.

All but four states provide additional state support to the federal low-income programs.

TABLE 27
QUESTION 28: IF YOUR COMMISSION PERFORMED AUDITS OR INVESTIGATIONS, WHAT WERE THE FINDINGS?

AK	Yes	Level of review varies by year. The last detailed review included review of returns, level of funding, and explanation of use of funds. Annual projects are reviewed for compliance with order and completeness of projects.	Some companies were required to come in for a rate case. Companies are using funds in accordance with commission orders. Any uncompleted projects noted in the investigations have been finished within a reasonable timeframe.
AL	Yes		Each rate case derives distinctive results.
CO	Yes	The Commission reviews how state universal service support is used whenever a carrier files a rate case.	
IN	Yes	It is contemplated by the commission's order that audits will be performed for this purpose.	
KS	Yes	For rural ILECs, the Commission is in the process of auditing each carrier to determine its intrastate revenue requirement, with any over/under earnings increasing/decreasing the annual state support amount. The Commission, as part of its annual certification process, conducted random audits of the books of a couple of USF recipients. In 2005/2006, these random audits will be expanded to include quality of service audits and, potentially, management or complaint audits.	To date, audits of 24 Rural ILECs has resulted in a \$9.36 million net reduction in state universal service support funding. The companies audited were using the funds appropriately. These audits are separate and distinct from the on-going investigation into companies related to the indictments and guilty pleas entered with respect to a conspiracy to defraud USAC and NECA.
MS	Yes	Commission requests quarterly updates for expenditures from ETC monies and has in the past done a field inspection to audit new construction, etc.	
MT	Yes	The Commission is in the midst of a contested case that is investigating how Qwest uses Federal universal service support (D2005.6.105). On a yearly basis, the companies receiving state universal service monies must file an EARN form with us, detailing investment, revenues, and expenditures.	To date, only minor violations have been found.
NE	Yes	The EARN form is used in calculating high-cost funding. The EARN form details comes from Form M, which is a document that must be filed with our Communications Department and is audited. The EARN form must also go through an independent third-party audit.	
NM	No	There is no state fund and ETCs currently self-certify for federal USF. Each approved applicant is required to file either monthly or quarterly status reports regarding the ongoing services approved by the Commission. Any subsequent payments to the Commission approved amounts are made upon the submission of such true-up reports by the applicant. In addition, the Staff conducts periodic audits to review the use of funds by recipients. Currently, the Accounting and Financial Audit department of Oklahoma Public Utility Division is conducting audits of 12 different applications receiving funding from Oklahoma USF.	The findings on these 12 applications have not been finalized at this time.
OK	Yes		
PA	Yes	Network modernization and EAS studies.	
TX	No	While the fund has not been audited, an investigation is underway pursuant to a legislative directive, and a report with the Commission's recommendations is due to the legislature before Jan. 1, 2007 (Project No. 31863, which may be tracked at http://www.puc.state.tx.us/telecomm/projects/31863/31863.cfm).	

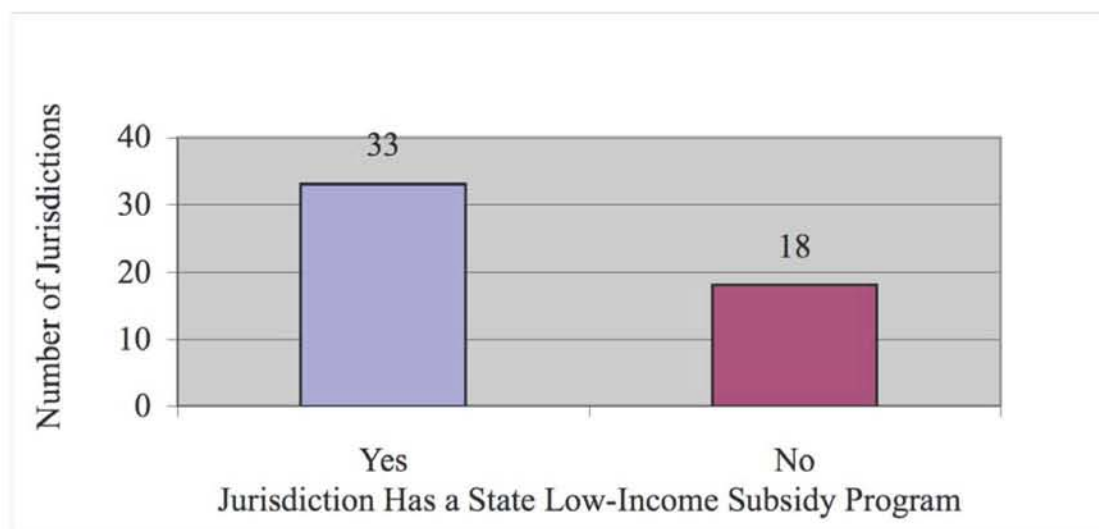
TABLE 27 - *continued***QUESTION 28: IF YOUR COMMISSION PERFORMED AUDITS OR INVESTIGATIONS, WHAT WERE THE FINDINGS?**

VT	Yes	Studies have been done in the past on who is in Lifeline and who should be added. The Commission has an idea of how the money for telephone relay gets used and they require reports on how federal money gets used.	
WI	Yes	Required annual audit by Wisconsin Legislative Audit Bureau and reviews by commission staff.	See the Commission's website. No improper behavior is found.
WV	Yes	The Commission has annual meetings with all ETCs to review use of USF funds.	So far, all ETCs are using money appropriately.
WY	No	In Wyoming, carriers receiving support are required to show all support as monthly credits on customer bills. That is the only way support can be used by recipients.	

TABLE 28

QUESTION 29: DOES YOUR STATE HAVE AN INTRASTATE LOW-INCOME (LIFELINE/LINK-UP) PROGRAM THAT PROVIDES LOW-INCOME SUPPORT IN ADDITION TO FEDERAL SUPPORT?

Yes	AK, AZ, CA, CO, CT, DC, FL, ID, IL, KS, KY, MA, MD, MN, MO, MT, NC, NE, NJ, NV, NY, OK, OR, RI, SC, TN, TX, UT, VT, WA, WI, WV, WY [33]
No	AL, AR, DE, GA, HI, IA, IN, LA, ME, MI, MS, ND, NH, NM, OH, PA, SD, VA [18]



Source: Authors' construct from survey responses.

Fig. 9. Status of state low-income subsidy programs.

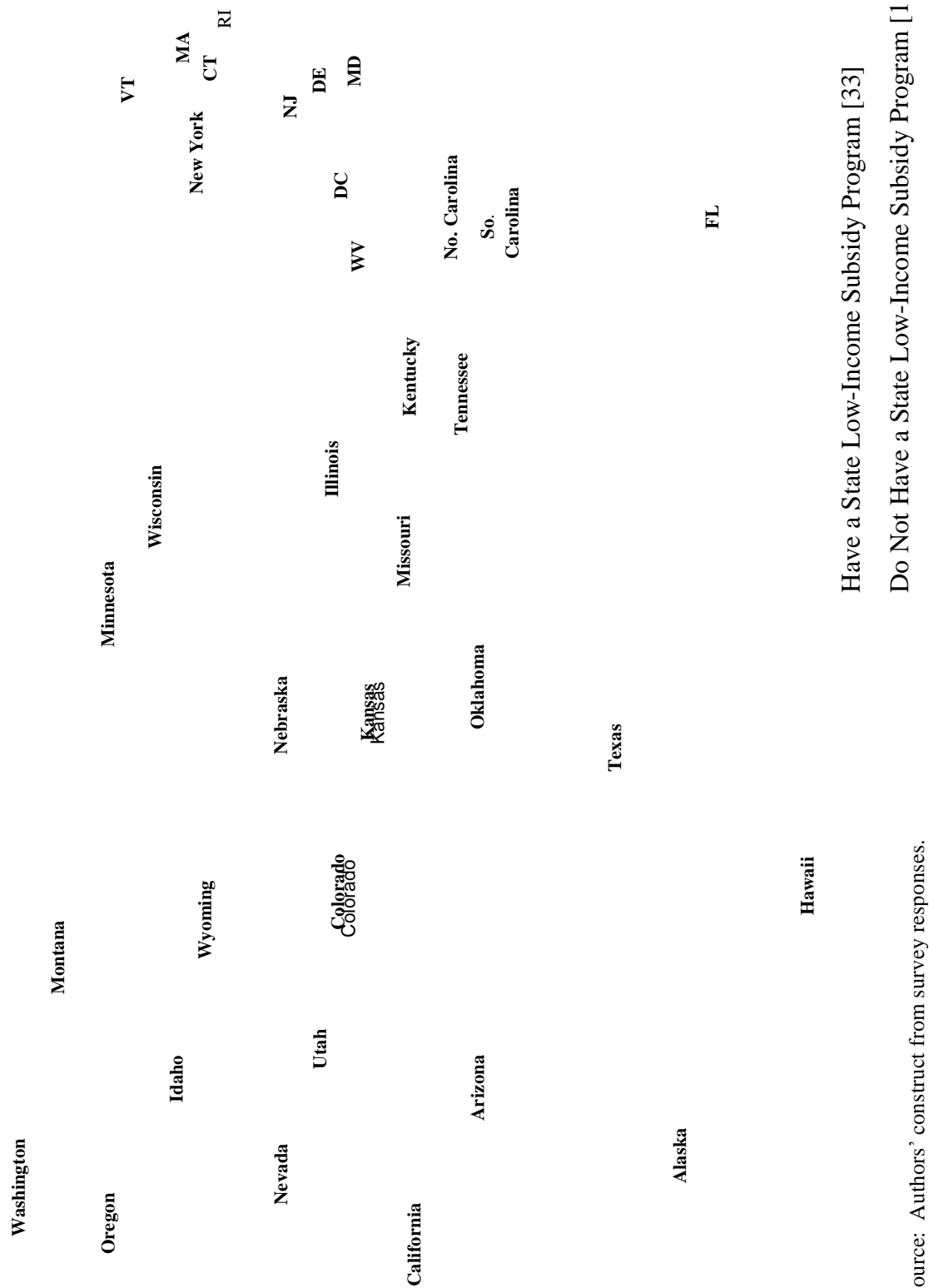


Fig. 10. Status of state low-income subsidy programs.

Source: Authors' construct from survey responses.

after 2000. Missouri is the only state that launched a state low-income program in the last three years. In some states, the program and policy have been modified after some period of operation. Table 29 shows the specific year in which the state began operating the low-income subsidy programs.

Services Supported by State Low-Income Subsidy Programs

State commissions were asked what services are supported in their state low-income subsidy programs. In most states, the low-income subsidy programs covers only basic local residential telephone services (state Lifeline program), as in the federal Lifeline program; some may provide discount for the initial installation fee (state Link-Up program); some support both. The responses are presented in Table 30.

Level of Support of State Low-Income Subsidy Programs

As shown in Table 31, the level of monthly support for low-income consumers varies across states. It ranges from \$1.17 (Connecticut) to \$13.30 (New Jersey). In some states, the level of subsidy depends on the carriers who provide the subsidy. The responses are also presented in Figure 11.

Eligibility Criteria for Low-Income Support

The eligibility for the state low-income subsidy is usually based on the consumers' participation in means-tested, low-income welfare programs. It could also be based on household income level benchmarked by the state or federal poverty lines. Table 32 presents the responses from state commissions.

Source of Funding of State Low-Income Subsidy Programs

Among the 33 jurisdictions that have a state low-income subsidy program, 20 jurisdictions, or 61 percent, fund the program through a surcharge on carriers' revenue or customer bills. In seven jurisdictions, the state low-income subsidy program is funded by the carriers that provide the subsidy to customers. Arizona, Maryland, North Carolina, and West Virginia fund the program through state tax credits. The responses are presented in Table 33.

Administrator of State Low-Income Subsidy Programs

Compared to the state high-cost USF program, the state low-income subsidy programs are administered by more diverse entities. They may be administered by the PUC or state commission, by another state agency, by a third-party organization, by individual telecommunications service carriers that provide the customer

Most states low-income programs only cover basic residential service.

The level of monthly support ranges from \$1.17 to \$13.30.

TABLE 29
QUESTION 29 (A): WHEN DID THE PROGRAM BEGIN
OPERATION?

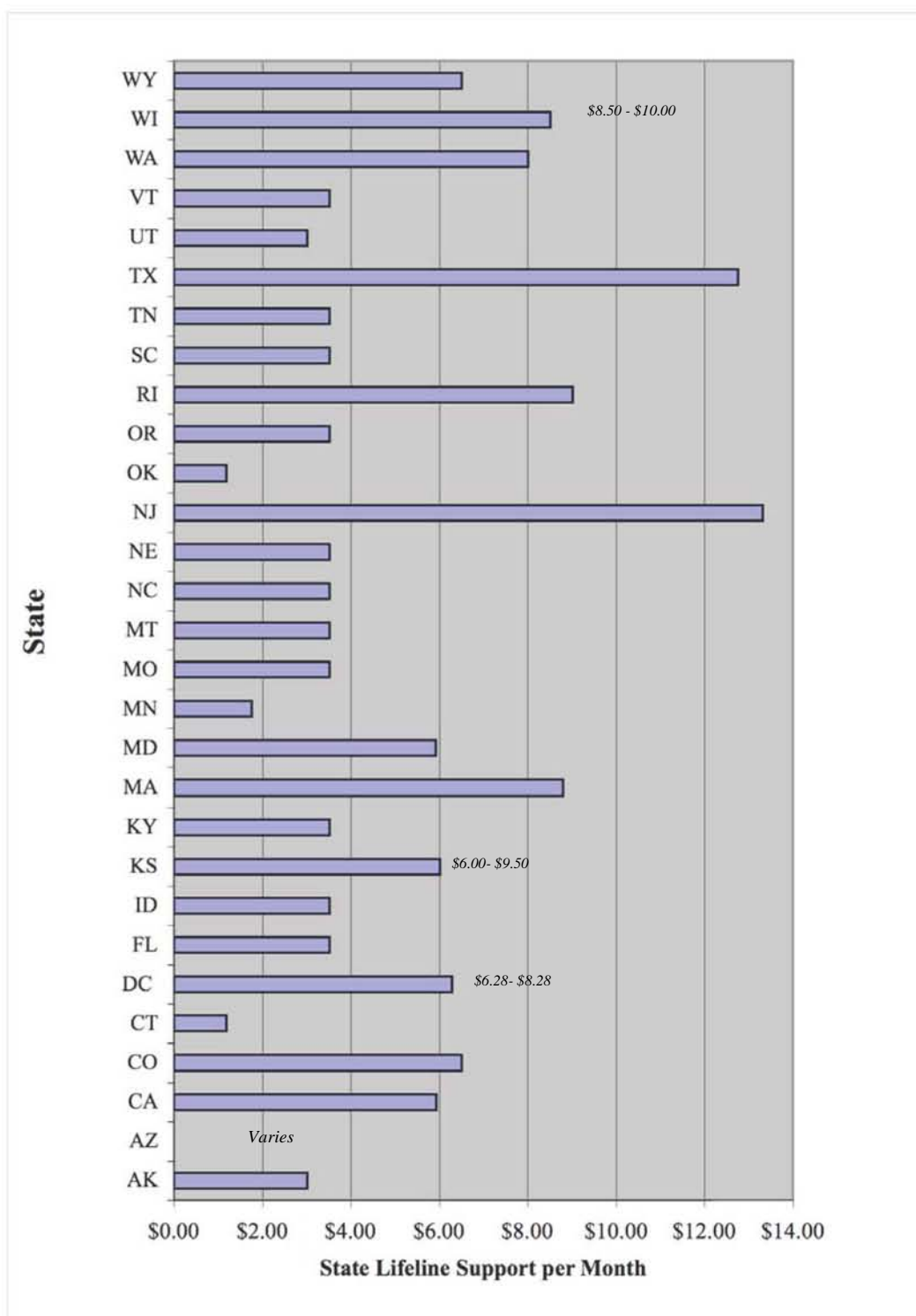
AK	N/A.
AZ	1986.
CA	1985.
CO	1990.
CT	1994.
DC	1985.
FL	N/A.
ID	1988.
IL	1998.
KS	1997.
KY	1999.
MA	N/A.
MD	1985.
MN	1988.
MO	May 2005.
MT	1987.
NC	Mid-1980s, 1988 formally adopted.
NE	1999.
NJ	1999.
NV	Not in operation; No company has requested state USF funding.
NY	October 1998.
OK	1997.
OR	1987.
RI	Before 1995.
SC	2001.
TN	1988.
TX	1999.
UT	1988, modified in 2005.
VT	1988, approximately. The Vermont USF was created by legislation in 1994.
WA	1987.
WI	1988.
WV	1985.
WY	1991.

TABLE 30
QUESTION 29 (B): WHAT SERVICES ARE SUPPORTED?

AK	Same as the federal program.
AZ	The supported services include: flat rate local exchange services; local exchange access services in measured service circumstances; local area calling usage limited to an amount that in conjunction with the exchange access service does not exceed the comparable flat rate total; the charge for maintenance of inside wiring; the installation charge for basic service one time during any calendar year. (Refer to A.R.S. 46-703)
CA	Local telephone service.
CO	Basic residential service.
CT	All services. A monthly credit of \$7.00 is applied to the total bill, of which \$1.17 is the intrastate portion.
DC	Lifeline.
FL	A rate reduction of \$3.50 per month to Lifeline consumers.
IL	Installation charges.
KS	Basic local residential service, one-line only per household.
KY	Lifeline.
MA	Lifeline (pays \$8.79 of the monthly charges for local access line); Link-Up (pays 50 percent of connection charge, up to \$30).
MD	Basic economy service with 30 calls per month free, no features available with this program.
MN	Local service.
MO	Effective May 1, 2005, the Commission approved the establishment of a Missouri USF to help low-income and disabled Missourians receive discounts for basic local telephone service. Missouri does not offer an additional discount for Link-Up service.
MT	Local exchange service.
NC	Basic local service.
NE	Basic telephone.
NJ	Basic local exchange service.
OK	One End-User Common Line per household.
OR	Lifeline and Link-Up, basic service.
RI	Basic service only.
SC	Basic local service and basic local service installation.
TN	Local service.
TX	As defined in PURA § 55.015(e), “a retail local service offering described by 47 C.F.R. Section 54.401(a).”
UT	It is a discount on the total monthly charge, customers can get any service.
VT	Basic telephone service.
WA	One least-cost local exchange line.
WV	Basic services, although some wireless ETC programs include all distance minutes.
WY	Basic local exchange service for residential customers

TABLE 31
QUESTION 29 (C): HOW MUCH IS THE MONTHLY STATE
PER-LINE SUPPORT FOR LOW-INCOME CONSUMERS?

AK	\$3.
AZ	Varies.
CA	Average is \$71.00 per year, which is about \$5.92 per month.
CO	\$6.50.
CT	\$1.17.
DC	For people under 65, \$6.28; For people older than 65, \$8.28.
FL	\$3.50.
ID	\$3.50.
IL	Link-Up subsidy: up to \$10 one-time reduction in installation charge.
KS	The amount ranges from \$6.00 to \$9.50 per line, depending on the carrier.
KY	\$3.50.
MA	\$8.79.
MD	\$5.91.
MN	\$1.75.
MO	\$3.50.
MT	\$3.50.
NC	\$3.50.
NE	\$3.50.
NJ	\$13.30.
OK	\$1.17.
OR	\$3.50.
RI	\$9.00.
SC	\$3.50.
TN	\$3.50.
TX	\$12.75.
UT	\$3.00.
VT	\$3.50 in most cases.
WA	Varies; buys down to \$8.00 per month.
WI	\$8.50 - \$10.00.
WY	\$6.50.



Source: Authors' construct from survey responses.

Fig. 11. Level of support of state low-income subsidy programs.

TABLE 32
QUESTION 29 (D): HOW IS ELIGIBILITY FOR LOW-INCOME SUPPORT DETERMINED?

	Medicaid, Food Stamp Program, Supplemental Security Income (SSI), Federal Public Housing Assistance Program (Section 8), Low-Income Home Energy Assistance Program (LIHEAP),
AK	Bureau of Indian Affairs General Assistance Program, Temporary Assistance for Needy Families program (TANF), Head Start, National School Lunch Program (NSL), Alaska Temporary Assistance Program, Alaska Adult Public Assistance Program, household with income at or below 135 percent of the federal poverty guideline. (See 3 AAC 53.390)
AZ	To be considered eligible for the telecommunications service assistance program, applicants must be a head of household, be sixty-five years of age or older and have a household income at or below the poverty level as determined by the United States Office of Management and Budget and reported annually in the federal register. (Refer to A.R.S. 46-702)
CA	Income-based, i.e., household income at or below 150 percent of federal poverty guidelines.
CO	Colorado Department of Human Services qualifies eligible customers.
CT	Participation in a number of state assistance programs, e.g., TANF, Title 19, Medicaid etc.
DC	Based on poverty level and household size.
FL	Consumers receiving state and federal assistance such as TANF, Food Stamps, Medicaid, LIHEAP, SSI, Section 8, or BellSouth, Sprint, and Verizon customers participating in the NSL program.
IL	Low-income as defined by federal poverty levels.
KS	The Commission has adopted the majority of the FCC's eligibility criteria. The exceptions are the Section 8 housing criteria and Kansas adopted an income-based criteria of 150 percent of the federal poverty level instead of the FCC adopted 135 percent.
KY	Medicaid, food stamps, supplemental security income, federal public housing assistance, low-income home energy assistance programs, TANF, and the NSL program.
MA	Participation in one of several low-income support programs, i.e., Food Stamps, TANF, Fuel Assistance, Mass Health, SSI, Emergency Aid to the Elderly, Disabled, and Children (EAEDC).
MD	Eligible customers are recipients of state-funded public assistance or federal SSI.
MN	Identical to Federal Lifeline (the state program is called Telecom Assistance Program).
MO	Currently, Missouri low-income eligibility is based on participation in means-tested programs. A consumer must certify, under penalty of perjury, that he/she participates in at least one of the following federal programs: Medicaid, Food Stamps, SSI, Section 8, LIHEAP, TANF, NSL.
MT	The subscriber must be certified by the State of Montana Dept. of Public Health and Human Services as a recipient of Medicaid benefits.
NC	SSI, food stamps, TANF, LIHEAP, Medicaid, and Section 8 housing.
NE	A participant must be receiving one of the following: Medicaid, Food Stamps, SSI, federal public housing, LIHEAP, or be the financially responsible party of a child on a children's Medicaid program (CHIP).
NJ	Recipient of existing low-income programs.
OK	Telecom carriers must be ETC certified to qualify for low-income support.
OR	Eligible for food stamps.
RI	Members of low-income state programs.
SC	Certification by South Carolina Department of Social Services.
TN	TANF, SSI, Food Stamps, Medicaid, as provided under Tennessee Care or income less than 125 percent of Federal Poverty Guidelines
TX	Pursuant to PURA § 55.015(d-1), Lifeline is available to "a customer whose income is not more than 150 percent of the applicable income level established by the federal poverty guidelines or in whose household resides a person who receives or has a child who receives: Medicaid, food stamps, SSI, federal public housing assistance, LIHEAP assistance, health benefits coverage under the state child health plan under Chapter 62, Health and Safety Code."
UT	Program match and income at or below the federal poverty level.
VT	Customers can become eligible either by being eligible for public assistance or by demonstrating to the Tax Department that their household incomes are below stated maxima.
WA	Determined by participation in state social service benefit programs.
WI	Eligibility for income support programs maintained in the State's databases.
WV	Same as federal Lifeline standards. Eligibility determined by state Department of Health and Human Resources.
WY	Customer must be receiving support from Medicaid, Energy Assistance, Food Stamps, Personal Opportunities with Employment Responsibility Program, SSI, or Child Care.

TABLE 33 SUMMARY

QUESTION 29 (E): HOW IS YOUR STATE LOW-INCOME PROGRAM FUNDED?

Surcharge	CA, CO, CT, ID, DC, KS, KY, MN, MO, NE, NY, OK, OR, SC, TX, UT, VT, WA, WI, WY [20]
Carriers	FL, IL, MA, MT, NJ, RI, TN [7]
State tax	AZ, MD, NC, WV [4]
N/A	AK, NV [2]

TABLE 33

AZ	Tax credit. (Refer to A.R.S. 42-5016)
CA	An end-user surcharge on customers' intrastate telecommunications services.
CO	By assessing a per-line surcharge on all local access lines.
DC	All LECs based on revenue.
CT	Assessment on local service customers by their local service provider. It is funded by individual carriers that offer the subsidy. Florida does not have Lifeline support mechanisms to which all carriers must contribute. Rather, Florida state law provides that "... a telecommunications company serving as a carrier of last resort shall provide a Lifeline Assistance Plan to qualified residential subscribers, as defined in a commission-approved tariff" Thus, incumbent LECs provide a rate reduction of \$3.50 per month to Lifeline consumers, but no state mechanism requires other carriers to contribute to state Lifeline support mechanisms. Competitive carriers seeking ETC designation before the Commission must also agree to a rate reduction of \$3.50. The FCC concluded that this would qualify as a "state match" for purposes of the Federal Low-Income program. (FCC 97-420)
FL	
ID	Through surcharges on residential, business, and wireless services.
IL	Voluntary contributions from customers of ILECs.
KS	The monies are collected through the state USF assessment.
KY	Surcharge of \$.08 per local access line per month.
MA	Subsidized by the LEC.
MD	Through Maryland tax. (Verizon receives tax credits at the end of the year)
MN	By \$0.05 surcharge per line.
MO	The Commission established a customer surcharge of .18 percent of local and long distance charges.
MT	As there is no program to reimburse carriers the \$3.50 state reduction, it is funded by the carriers.
NC	State income tax credit.
NE	The Nebraska USF only has one surcharge which pays for all of its programs. The surcharge is set at 5.75 percent on assessable revenue.
NJ	Verizon New Jersey. TAF collects and distributes funds from all intrastate telecommunications providers in New York with annual intrastate revenues over \$25,000. The total intrastate expenses for funding TAF are placed over the total intrastate revenues of the quantifying companies. This ratio is then applied to each of the participating companies' intrastate revenue to determine how much each company must pay.
NY	
OK	Funded by the Oklahoma USF. The Oklahoma USF is funded in a competitively neutral manner by a charge paid by all telecommunications carriers, providing regulated and unregulated services, at a level sufficient to maintain the availability of Oklahoma Universal Services and to provide for administration of the fund. The Oklahoma USF consists of Primary Universal Service (maintenance of rates that are reasonable and affordable), Special Universal Service (provision of access lines and Internet access to not-for-profit hospitals, public schools, public libraries and county seats), Lifeline, and Telecommunications Technology Training.
OR	Flat surcharge of 13 cents per line or instrument (for cell phone users) per month.
RI	ILEC supports fund at \$2.5 million per year.
SC	It is included in the state USF.
TN	The assistance is funded by the company providing the assistance. The Texas USF is comprised of several funds – including the large ILEC high-cost fund, the small ILEC high-cost fund, Lifeline, PURA fund, and Intra-LATA fund. The same assessment mechanism funds them all, a percent assessment on all taxable intrastate telecommunications receipts pursuant to Chapter 151 of the Texas Tax Code (see also response to Question 9).
TX	
UT	The state USF.

TABLE 33 - *continued*

	All customers who buy telecommunications service delivered to a Vermont address must contribute to the Vermont USF. Carriers collect and remit. The money is not used for high-cost, but is used for E-911, Lifeline and Relay. The current surcharge on revenue is 1.27 percent on all intrastate and interstate revenues. Revenue base: all telecommunications service sales. It's not really based on "revenue" because it is not a charge on carriers. Carriers collect and remit, like a sales tax. All providers contribute on the same basis. Small carriers get to pay less frequently, but they still must collect and remit. Digital subscriber line (DSL), cable modem and VoIP providers currently are not paying. We are examining this issue.
VT	
WA	A \$0.13 per-line, per-month excise tax on basic service lines.
WI	Through the USF assessment.
WV	Tax credits to ETCs for revenue deficiency.
WY	Monthly surcharge on the remaining access lines of the particular LEC.

subsidy, or by a combination of them. Table 34 summarizes the responses from state commissions. In several states, the administrative responsibility is shared by more than one entity.

Total Amount Disbursed by State Low-Income Subsidy Programs

State commissions were asked about the total amount of money disbursed for their state low-income subsidy program. The annual disbursement ranges from about \$101,757 (Colorado) to \$241 million (California), depending upon the demand for the fund and the services supported, as well as the level of support. Although the figures are not readily comparable, they give a general sense of the size of state Lifeline/Link-Up programs across states. The information is not available in some states because it is proprietary to individual telecommunications service providers. The reported amount of disbursement and the associated time periods are presented in Table 35.

STATE SUBSIDY PROGRAMS FOR SCHOOLS, LIBRARIES AND RURAL HEALTH CARE FACILITIES

As shown in Figure 12, nine states, or 18 percent, have state subsidy programs for schools and libraries. Seven states, or 14 percent, have state subsidy programs for rural health care facilities. Among them, six states have both types of programs. The programs were mostly created in late 1990s after passage of the Act of 1996. All states that have the two types of subsidy programs also have at least one other type of USF programs, e.g., state high-cost programs and/or state Lifeline/Link-Up programs. Figure 13 maps the status of state subsidy programs for schools and libraries across country.

Status of State Subsidy Programs for Schools and Libraries and Year of Operation

Table 36 summarizes the current status of state subsidy programs for schools and libraries. Altogether, nine

Annual state disbursement ranges from \$102,000 to \$241 million.

TABLE 34 SUMMARY**QUESTION 29 (F): WHO ADMINISTERS THE LOW-INCOME PROGRAM?**

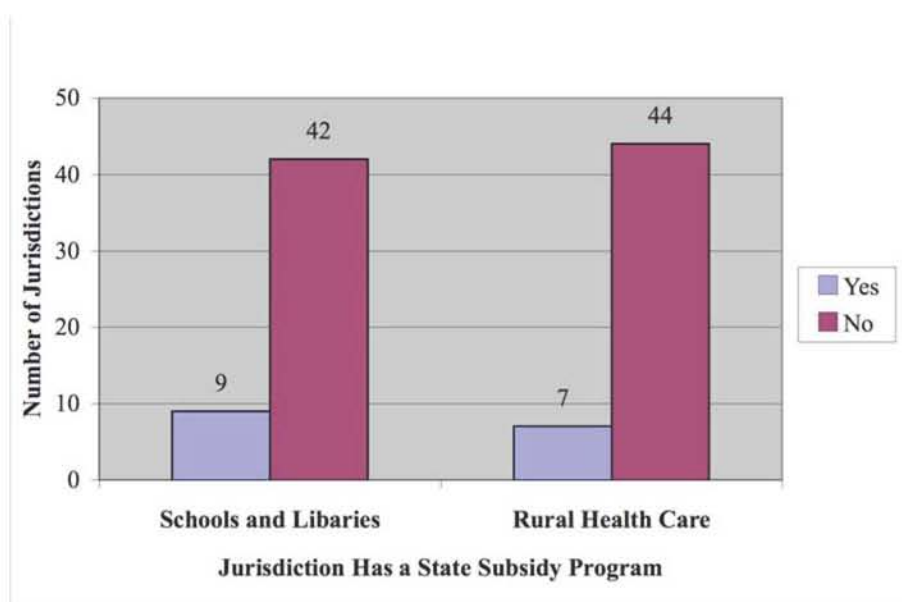
The commission	AK, CA, CO, CT, KY, MN, MT, OR, UT, VT, WI, WV[12]
Another state agency	AZ, ID, KY, MD, MN, MT, NE, SC, UT, VT, WA, WY [12]
A third-party	DC, ID, IL, KS, MO, OK, TX, WI [8]
The telecom carrier	FL, MA, MD, MN, NJ, RI [6]
No administrator	NC, TN [2]

TABLE 34

AK	Alaska Universal Service Administrative Corporation (USAC).
AZ	Department of Economic Security.
CA	The Commission.
CO	The Commission.
CT	The Commission administers the state low-income program; however, no formal administration has been undertaken by the Commission.
DC	Solix, Inc.
FL	Each ETC that offers the service. The Commission does not collect or administer the flow of fund but has the authority to resolve disputes and require carriers to offer transitional state Lifeline for qualified customers.
ID	Dept of Health and Welfare. Link-Up revenue collection and disbursement is administered by Alyson Anderson.
IL	Universal Telephone Assistance Corporation.
KS	The state USF administrator, NECA Services, now Solix, Inc.
KY	Kentucky State Government Finance and Administration Cabinet and the Commission.
MA	Each ETC that offers the service.
MD	Verizon Maryland and Maryland Department of Human Resources.
MN	The Commission, Department of Commerce, and local service providers.
MO	The Missouri low-income and disabled fund is administered by the Missouri Universal Service Board (made up of six individuals, five commissioners from Commission and one member from the office of Public Counsel). QSI Consulting was hired as an independent neutral fund administrator by the Missouri Universal Service Board to help in administering the program.
MT	The State of Montana Department Health and Human Services certifies and verifies eligibility while the Commission sets the discount and approves of the Lifeline/Link-Up tariffs.
NC	Not applicable because it is claimed as a tax credit.
NE	The Nebraska USF department administers the program. The Nebraska USF department also processes all applications for support – NOT the telecommunications companies.
NJ	Verizon New Jersey.
OK	Solix, Inc.
OR	The Commission.
RI	ILEC.
SC	The South Carolina ORS.
TN	Since there is not a separate fund there is no administrator.
TX	NECA Services, now Solix, Inc.
UT	Department of Community and Culture receive, certify, and verify customers. The Commission administers the funds to reimburse the companies along with the rules and guidelines of the program.
VT	The Department of Public Service writes annual reports on this for the Legislature, but the program is actually administered by a variety of entities. State officials determine eligibility, telephone companies grant credits, and the fiscal agent reimburses the telephone companies.
WA	Primarily, the state social service department.
WI	Wipfli LLP and the Commission.
WV	The state commission certifies revenue deficiency; credits are claimed on tax returns.
WY	Wyoming Department of Family Services.

TABLE 35
QUESTION 30: HOW MUCH WAS DISBURSED BY YOUR INTRASTATE LOW-INCOME PROGRAM DURING 2004 (OR OTHER RECENT PERIOD SUCH AS THE 2004-2005 FISCAL YEAR)?

AK	\$770,364.	2004.
AZ	Approximately \$264,000.	October 2003 -September 2004.
CA	In excess of \$241 million.	2004.
CO	\$101,757.	2004.
ID	\$1,334,650.	2005.
IL	\$3 million.	
KS	\$1.898 million.	March 2004 - February 2005.
KY	\$2,954,000.	2004.
MD	\$300,138.	2004.
MN	About \$1.5 million.	2005.
MO	Approximately \$225,000 per month.	
NC	Approximately \$5.0 million per year.	
NE	\$908,485.82.	2004 - 2005.
NJ	\$5.5 million – 6.2 million.	2004 - 2005.
NY	These funds totally \$35 million annually include programs for E911, Lifeline, and Telecommunications Relay Service.	
OK	Approximately \$466,000.	Fiscal year 2004 - 2005.
OR	\$1,931,205.	2004.
RI	\$2.5 million.	2004.
TX	\$21,518,589.	Fiscal year 2004.
UT	\$856,627.	2005.
VT	\$1.2 million.	
WA	\$6 million.	Annually.
WI	\$2,144,945.	July 1, 2004 - June 30, 2005.
WY	\$365,000.	2004 - 2005.



Source: Authors' construct from survey responses.

Fig. 12. State subsidy programs for schools, libraries, and rural health care facilities.



Source: Authors' construct from survey responses.

Have a Subsidy Program to Schools and Libraries [9]
Do Not Have a Subsidy Program to Schools and Libraries [42]

Fig. 13. Status of state subsidy programs for schools and libraries.

TABLE 36
QUESTION 31: DOES YOUR STATE HAVE AN INTRASTATE SCHOOLS AND LIBRARIES OR EDUCATION PROGRAM THAT PROVIDES SUPPORT IN ADDITION TO THAT PROVIDED BY THE FEDERAL SCHOOLS AND LIBRARIES PROGRAM?

Yes	CA, KS, NJ, NV, OK, RI, SC, TX, WI [9]
No	AK, AL, AR, AZ, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NM, NY, OH, OR, PA, SD, TN, UT, VA, VT, WA, WV, WY [42]

Some states have subsidy programs for schools and libraries and/or rural health care facilities.

states have a state subsidy program for schools and libraries. Among them, all but New Jersey, Oklahoma, and Rhode Island have a state high-cost program as well. All of them also have a state Lifeline/Link-Up program.

Table 37 also presents the year in which the state subsidy programs for schools and libraries started operation. All of them were established after the Act of 1996. In some sense, the state subsidy programs for schools and libraries mirrors the setup of the federal E-rate program. The earliest state program was established in 1997 (New Jersey) and the latest 2003 (Kansas). Nevada has a subsidy program, but it is currently not functioning.

Services Supported by State Subsidy Programs for Schools and Libraries

As shown in Table 38, most of the state subsidy programs for schools and libraries provide subsidy to high-speed Internet access services, i.e., broadband infrastructure, but not including equipment and the subsequent monthly subscription fee. Some programs also cover other advanced services such as toll-free services and online access to databases. Nevada has the state program that is not yet in operation.

Eligibility Criteria for State Subsidy Programs for School and Libraries

They are often similar to the eligibility criteria in the federal E-rate program. The eligibility criteria for the state subsidy programs for schools and libraries may be determined by other state agencies. Responses from state commissions are presented in Table 39.

Source of Funding for State Subsidy Programs for Schools and Libraries

The state subsidy programs for schools and libraries can be funded through a number of channels. It may be funded by a surcharge on intrastate telecommunications revenue or a per-access-line charge. It can be collected either separately from or as part of the overall state USF. It can also be funded by individual telecommunications service providers. Table 40 presents the responses.

Administrator of the State Subsidy Programs for Schools and Libraries

The administration of the state subsidy programs for schools and libraries takes different forms, as summarized in Table 41. Rhode

Most state programs for schools and libraries do not include equipment or monthly Internet subscription fees.

TABLE 37
QUESTION 31 (A): WHEN DID THE PROGRAM BEGIN OPERATION?

CA	1998.
KS	January 2003.
NJ	1997.
NV	Not in operation.
OK	1997.
RI	2000.
SC	2001.
TX	1999.
WI	1998 for the Technology for Educational Achievement Program (TEACH)—others in later years.

TABLE 38
QUESTION 31 (B): WHAT SERVICES ARE SUPPORTED?

CA	Measured business service lines, Switched 56 lines, Integrated Services Digital Network (ISDN), DSL, T-1, DS-3, and up to and including OC-192 and their functional equivalents.
KS	These are determined by the Kansas Board of Regents.
NJ	ISDN, Frame Relay, and ATM Services.
NV	Not in operation.
OK	Internet Service and Toll-Free Service.
RI	Internet connections only, no equipment.
SC	Same as the federal standard.
TX	Pursuant to PURA § 56.028, “intra-LATA interexchange high capacity (1.544 Mbps) service.”
WI	Three other state USF programs are funded through the same assessment process as the Wisconsin USF: TEACH (\$17.3 million) subsidizes data lines and video links for schools and libraries; library aids (\$4.1 million) supports BadgerLink, which provides statewide on-line access to reference databases and general library aids to libraries across the state and the University of Wisconsin (UW)-System (\$1.1 million) subsidizes video, data and voice services for UW campuses through BadgerNet, the state’s current telecommunications infrastructure.

TABLE 39
QUESTION 31 (C): HOW IS ELIGIBILITY FOR SCHOOLS AND LIBRARIES
SUPPORT DETERMINED?

	Public or nonprofit schools that provide elementary or secondary education and have endowments under \$50 million and libraries that have a California State Library certificate stating that the library is eligible for funds in the state-based plans for the Library Services and Technology Act are eligible to receive 50 percent discount on the monthly rates/charges of the services described in Response 31(b).
CA	
KS	Eligibility is determined by the Kansas Board of Regents.
NJ	Discounts provided on these services if purchased.
NV	Not in operation.
OK	Upon request, and after notice and hearing, the Commission shall consider the designation of eligible local exchange telecommunications service provider in a universal service area to receive funding from the Oklahoma USF under the Oklahoma Telecommunications Act of 1997 and 47 U.S.C. 214(e).
RI	Determined by other state agency.
SC	Same as the federal standard.
TX	The provider must provide service to any eligible entity (described in PURA § 58.253(a), and includes educational institutions, libraries, non-profit telemedicine centers, public hospitals, etc.) upon customer request.
WI	Application to the relevant state agency or through the state budget process.

TABLE 40
QUESTION 31 (D): HOW IS YOUR SCHOOLS AND LIBRARIES PROGRAM FUNDED?

CA	The California Teleconnect Fund program is funded via a surcharge on all end-users of intrastate telephone services. The current surcharge is 0.16 percent.
KS	The fund for the state's program, KAN-ED, is collected through the state USF support assessment.
NJ	Verizon New Jersey.
OK	Funded by the Oklahoma USF. The Oklahoma USF consists of Primary Universal Service, Special Universal Service, Lifeline, and Telecommunications Technology Training.
RI	\$0.26 per access line per month.
SC	Discounts offered by LECs.
TX	The Texas USF is comprised of several funds – including the large ILEC high-cost fund, the small ILEC high-cost fund, Lifeline, PURA fund, and Intra-LATA fund. The same assessment mechanism funds them all, a percent assessment on all taxable intrastate telecommunications receipts pursuant to Chapter 151 of the Texas Tax Code.
WI	Through separate USF assessments for TEACH, UW-System, Department of Public Instruction (DPI) BadgerLink-Library Aids. The current monthly assessment rates applied to annual revenues for the three USF programs are 0.07837 percent, 0.00483 percent, and 0.03589 percent, respectively (See “Universal Service Fund – Identification of State USF Recovery Amounts on Customer Bills, December 2005. See http://psc.wi.gov/utilityinfo/tele/newsinfo/documents/USFidentification.pdf .

TABLE 41 SUMMARY
QUESTION 31 (E): WHO ADMINISTERS THE SCHOOLS AND LIBRARIES PROGRAM?

The commission	CA [1]
Another state agency	RI, WI [2]
A third-party	KS, OK, TX [3]
The service provider	NJ, SC, WI [3]

TABLE 41

CA	The Commission. Monies are collected by the Kansas USF Administrator, who provides the monies to
KS	the Kansas Board of Regents. The Board of Regents disburses the monies to recipients.
NJ	Verizon New Jersey.
OK	Solix, Inc.
RI	Dept of Education.
SC	Discounts offered by LECs.
TX	NECA Services, now Solix, Inc.
WI	Department of Administration, Department of Public Instruction, UW-System, and Wipfli, LLP.

Island reported that their state subsidy program is administered by another state agency. California's program was administered by the Commission. In Kansas, Oklahoma, and Texas, the programs are administered by a third-party. The programs in New Jersey and South Carolina are administered by the service providers. In Wisconsin, the program is run jointly by a state agency and the service providers.

Annual Disbursement of the State Subsidy Programs for Schools and Libraries

State commissions were asked about the total amount of funds disbursed during 2004 or 2005. The amount ranges from \$1 million (Rhode Island) to over \$20 million (California). Table 42 presents the amount of disbursements and the associated time periods.

Status of State Subsidy Programs for Rural Health Care Facilities

Table 43 summarizes the status of state subsidy programs for rural health care facilities. Figure 14 maps the status of state subsidy programs for rural health care facilities across the country. Among the seven states that have the state rural health care program, all but Oklahoma have a state high-cost fund. All of them have a state Lifeline/Link-Up program.

Table 44 presents the year in which the state subsidy program for rural health care started operation. All these programs were established after the passage of the Act of 1996. The earliest state program was established in 1997 (Oklahoma) and the latest one was in 2004 (Nebraska). Nevada has the program, but it is currently not functioning.

Annual disbursements from intrastates funds for schools and libraries range from \$1 million to \$20 million.

TABLE 42

QUESTION 31 (F): HOW MUCH WAS DISBURSED BY YOUR INTRASTATE SCHOOLS AND LIBRARIES PROGRAM DURING 2004 (OR OTHER RECENT PERIOD SUCH AS THE 2004-2005 FISCAL YEAR)?

CA	Expected to be \$20.6 million.	For fiscal year 2004 - 2005 claims.
KS	\$10.0 million.	March 2004 - February 2005.
NJ	\$5.9 million – \$7.4 million .	2004 - 2005.
OK	Approximately \$3.8 million (amount includes intrastate Rural Health Care Program).	Fiscal year 2004 - 2005.
RI	\$1 million.	2005.
TX	\$2,019,290. (Combined with Rural Health Subsidy)	Fiscal year 2004 - 2005.
WI	\$22.5 million.	July 01, 2004 – June 30, 2005.

TABLE 43

QUESTION 32: DOES YOUR STATE HAVE AN INTRASTATE RURAL HEALTH CARE PROGRAM THAT PROVIDES SUPPORT IN ADDITION TO THAT PROVIDED BY THE FEDERAL RURAL HEALTH CARE PROGRAM?

Yes	CA, NE, NV, OK, SC, TX, WI [7]
No	AK, AL, AR, AZ, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NM, NJ, NY, OH, OR, PA, RI, SD, TN, UT, VA, VT, WA, WV, WY[44]



Source: Authors' construct from survey responses.

Have a Subsidy Program to Rural Health Care Facilities [7]
Do Not Have a Subsidy Program to Rural Health Care Facilities [44]

Fig. 14. Status of state subsidy programs for schools and libraries.

TABLE 44
QUESTION 32 (A): WHEN DID THE PROGRAM BEGIN OPERATION?

CA	1998.
NE	Approved by the Commission in September of 2004. Funded retroactively to the 2003-2004 funding year.
NV	Not in operation.
OK	1997.
SC	2002.
TX	1999.
WI	2001.

Services Supported by State Subsidy Programs for Rural Health Care

As shown in Table 45, most of the state programs provide subsidies to high-speed Internet access services, i.e., broadband infrastructure, but not including monthly service subscription fee. Some include equipment and other advanced services such as toll-free services. The state of Nevada has a program, but it is not in operation.

Eligibility Criteria in State Subsidy Programs for Rural Health Care

Table 46 presents the commissions' responses about the eligibility criteria for state subsidy programs for rural health care facilities. Such criteria usually define "rural health care facilities" in very specific terms. In most cases, the services need to be provided by an ETC.

Source of Funding for State Subsidy Programs for Rural Health Care Facilities

The state subsidy programs for rural health care facilities can be funded through a surcharge on

intrastate telecommunications revenue, a surcharge per access line, or it can be funded by individual telecommunications service providers. The fund may be collected either separately from or as part of the overall state USF. Table 47 presents the source of funding for each state.

Administrator of State Subsidy Programs for Rural Health Care Facilities

As shown in Table 48, California and Wisconsin reported that the commission administers the fund for rural health care facilities; the program in Nebraska is administered by another state agency; programs in Oklahoma and Texas are both administered by a third-party, Solix, Inc. The discount subsidy in South Carolina is provided by the carrier. Nevada has the program, but it is currently not functioning.

Annual Disbursement of State Subsidy Programs for Rural Health Care Facilities

State commissions were asked about the total amount of funds disbursed during 2004 or 2005. The amount

Subsidies for rural health care facilities are funded through surcharges on intrastate revenues, surcharges per access line, or by individual telecommunications service providers.

TABLE 45
QUESTION 32 (B): WHAT SERVICES ARE SUPPORTED?

CA	Measured business service lines, switched lines, ISDN, DSL, T-1, DS-3, and up to and including OC-192 and their functional equivalents. The California Teleconnect Fund provides telephone service discounts to rural health care facilities that apply as Community Based Organizations (CBOs). However, services from these CBOs do not strictly follow the rural health care program pattern.
NE	Connection (T-1), router, firewall, scheduling, installation cost.
NV	Not in operation.
OK	Internet service and toll-free service.
SC	Same as the federal program.
TX	Pursuant to PURA § 56.028, “intra-LATA interexchange high capacity (1.544 Mbps) service.”
WI	Telemedicine Grant Program: grants to hospitals, clinics and public health agencies in underserved areas of the state for telecommunications equipment.

TABLE 46
QUESTION 32 (C): HOW IS ELIGIBILITY FOR RURAL HEALTH CARE SUPPORT DETERMINED?

CA	Health care facilities that attest (1) they are located in a rural area or provide health care to a rural population and (2) their board of directors is representative of the community they serve, qualify for 50 percent discount on the monthly rates/charges of eligible services. All certified telecommunications providers are eligible to receive support. How support is calculated: for the Connection, we “buy” down the cost of the line such that the rural hospital only pays \$100 a month for the service. In the alternative, the maximum amount if based on the hospital being within the maximum allowable distance (MAD) and is capped at \$167.38. For the router, firewall, scheduling, and Install costs, we approved funding based upon the request of the Hospital Association, and the available funds. The Nebraska USF has set aside \$900,000 a year to fund this project.
NE	Upon request, and after notice and hearing, the Commission shall consider the designation of eligible local exchange telecommunications service provider in a universal service area to receive funding from the Oklahoma USF under the Oklahoma Telecommunications Act of 1997 and 47 U.S.C. 214(e).
OK	Same as the federal program.
SC	The provider must provide service to any eligible entity (described in PURA § 58.253(a), and includes educational institutions, libraries, non-profit telemedicine centers, public hospitals, etc.) upon customer request.
TX	Hospital or clinic must be non-profit, must be in medically underserved area or serve medically underserved populations and must provide service to all patients regardless of insurance status or use a sliding fee scale dependent on the patient’s income, then a competitive grant process is used to award the grants.
WI	

TABLE 47
QUESTION 32 (D): HOW IS YOUR RURAL HEALTH CARE PROGRAM FUNDED?

CA	The California Teleconnect Fund program funds rural health care facilities through a surcharge on all end-users of intrastate telephone services.
NE	One surcharge for all the state USF programs, currently set at 5.75 percent. Funded by the Oklahoma USF. The Oklahoma USF consists of Primary Universal
OK	Service, Special Universal Service, Lifeline, and Telecommunications Technology Training.
SC	Discounts provided by LECs. The Texas USF is comprised of several funds – including the large ILEC high-cost fund, the small ILEC high-cost fund, Lifeline, PURA fund, and Intra-LATA fund. The
TX	same assessment mechanism funds them all, a percent assessment on all taxable intrastate telecommunications receipts pursuant to Chapter 151 of the Texas Tax Code (see also response to Questions 9 and 30).
WI	Part of the Commission's USF fund.

TABLE 48
QUESTION 32 (E): WHO ADMINISTERS THE RURAL HEALTH CARE PROGRAM?

The commission	CA, WI [2]
Another state agency	NE [1]
A third-party	OK, TX [2]
Telecommunications carrier	SC [1]
N/A	NV [1]

NE	The Nebraska Universal Service Fund Department.
OK	NECA Services, now Solix, Inc.
TX	NECA Services, now Solix, Inc.

TABLE 49

QUESTION 33 (F): HOW MUCH WAS DISBURSED BY YOUR INTRASTATE RURAL HEALTH CARE PROGRAM DURING 2004 (OR OTHER RECENT PERIOD SUCH AS THE 2004-2005 FISCAL YEAR)?

CA	We do not track disbursements at this level of detail. We estimate fiscal year 2004-2005 disbursements to all CBO organizations, however, were from \$0.5 to \$0.75 million. \$54,643.07.	Fiscal year 2004 - 2005. 2004 - 2005.
NE	Most of the hospitals are either just now getting connected, or have not yet requested funding. Once all of the hospitals are connected and we are funding all connections, staff estimates that the fund will expend approximately \$700,000 per year.	
OK	Approximately \$3.8 million (amount includes intrastate Schools and Libraries Program).	Fiscal year 2004 - 2005.
TX	\$2,019,290. (Combined with School and Library Subsidy \$0. (The state USF fund faced a shortfall, and this program was not funded this past fiscal year. In previous fiscal years, this program was funded at \$500,000 per fiscal year.)	Fiscal year 2004. Per fiscal year.
WI		

varies across the states. Some figures include state subsidy programs for schools and libraries. We do not have information for the program expenditures of South Carolina and Nevada, because the former program is funded by the carriers and the latter is not functioning. Table 49 presents the amount of disbursement and the associated time periods.

TRS PROGRAMS

Based on Title IV of the Americans with Disabilities Act and the FCC regulations for the Provision of TRS, all common carriers providing telephone voice transmission services shall provide TRS either individually, jointly, or through contracting by July 26, 1993. Speech-to-speech relay service and interstate Spanish language relay service shall be provided by March 1, 2001. Access via the 711

dialing code to all relay services as a toll free call shall be provided not later than Oct. 1, 2001.⁶

Currently, each state has a TRS program by law to serve people with hearing disabilities. Many states also have programs to cover part or all of the TRS equipment cost for qualified customers. However, the capacity, funding mechanism, and administration of TRS programs varies a lot across states. Commissions were asked about all aspects of the state TRS programs. The results are presented in the following subsections.

Year of Operation and Services Supported by TRS Programs

As shown in Table 50, state TRS programs were established as early as 1981 (Minnesota) and as late as 2003 (Hawaii). The majority of TRS programs started operating in

TABLE 50
QUESTION 33 (A): WHEN DID THE PROGRAM BEGIN OPERATION?
QUESTION 33 (B): WHAT SERVICES ARE SUPPORTED?

AK	1993.	Relay service.
AL	1988.	Local telephone service.
	N/A.	Telephone typewriter (TTY), voice carryover (VCO), two-line VCO, VCO-to-VCO, hearing carryover (HCO)-to-HCO, HCO-to-TTY, Internet Protocol (IP) relay, video relay, 900 number service, Spanish and French relay service, answering machine retrieval, emergency calls, and relay conference captioning, etc.*
AR		
	1987.*	Toll-free TRS access and 35 percent discount on direct-dialed intra-LATA toll calls, and free directory assistance for handicapped telephone subscribers.
AZ		
CA	Before 1996.	Equipment and relay. California has a California Relay Service (CRS) as part of Deaf, Disabled Telecommunications Program (DDTP).
CO	1990.	Traditional relay, captioned telephone relay, STS relay, VCO, HCO, Spanish relay, and Telebraille relay.
CT	1989.	TRS, VRS, and TDDs.
DC	N/A.	TTY, VCO, HCO, and Spanish-to-English.
DE	N/A.	Assistive communications services.*
	June 1, 1991.	Text-to-voice/voice-to-text, VCO, two-line VCO, VCO-to-TTY, VCO-to-VCO, HCO, two-line HCO, HCO-to-TTY, HCO-to-HCO, CapTel, and Spanish for the above services is also provided.
FL		
GA	April 1, 1991.	TRS; Georgia Telecommunications Equipment Distribution Program; and Georgia Audible Universal Information Access Service.
HI	July 2003.	Intrastate TRS.
IA	1992.	TRS, equipment distribution voucher program.
ID	1993.	Basic relay service.
IL	1988.*	Services for hearing impaired; voucher and loan for customer equipment.*
IN	1991.*	TRS.
KS	March 1997.	TRS.
KY	1993.	TRS.
LA	February 1992.	TRS.
MA	Prior to 1991.	Standard relay, VCO, HCO, STS, and Spanish speaking OPR Adaptive equipment.
MD	N/A.	TTY, VCO, HCO, STS, and STS IP relay.
ME	N/A.	TRS.
MI	1991.*	TRS.
MN	1981.	Local relay services and equipment distribution
MO	1991.	Traditional TRS, VCO, HCO, CapTel, and STS.
MS	N/A.	TRS.
MT	1992.	TRS.
NC	June 1, 1991.	Local calls, no charge; 50 percent discount on intrastate calls; and 23 percent average discount on interstate calls.
ND	1993.	The TRS program is not administered by the Commission. It is administered by the North Dakota Information Technology Department.
NE	Jan. 1, 1991.	FCC mandated services plus two-line CapTel.
NH	November 1990.	Determined by the Governor's Council on Disabilities per RSA 362-E.
NJ	December 1990.	Currently regular TRS, Video, IP relay, and CapTel.
NM	N/A.	TRS. (PRC does not administer. See 63-9F NMSA 1978.)
	N/A.	Basic local service. The service is called Relay Nevada. It is a free service that provides full telephone accessibility to people who are deaf, hard-of-hearing, deaf-blind, and speech-disabled. This service allows relay users to communicate with standard telephone users through specially trained relay operators. It includes TTY and CapTel features.*
NV		
NY	October 1998.	TRS.
	The Ohio Relay	The state pays for the following relay services: local and intrastate relay
OH	Center began relaying calls on Nov. 15, 1992.	calls, STS calls, and captioning telephone service.

* The information is from alternative sources other than the survey responses. For specific sources, please refer to NRRI's State USF Profile.

TABLE 50 - continued
QUESTION 33 (A): WHEN DID THE PROGRAM BEGIN OPERATION?
QUESTION 33 (B): WHAT SERVICES ARE SUPPORTED?

OK	1993.	Telephone relay service, equipment, and maintenance.
OR	1987.	TRS.
PA	1990.	All relay services are free to end-users. Users buy equipment. Users at 200 percent or less of poverty level may receive free equipment.
RI	1990.	Relay services only, no equipment.
SC	1992.	Voice Relay, TDD equipment distribution program.
SD	1989.	Equipment and relay services.
TN	1993.	TRS.
	1990.	TRS is a telecommunications relay service that offers variety of features;
TX		VCO, two-line VCO, HCO, STS, Spanish relay, ASCII calls, reduced typing speed, 900 Services, and CapTel.
UT	1988.	TTY, VCO, HCO, etc.
VA	1990.	Traditional relay, CapTel.
VT	Approximately 1991.	Basic telephone service; financial support to allow hearing impaired customers to acquire TTY and similar equipment.
	N/A.	Equipment and operator-translator service.
WA		Specifically, TTY, VCO, HCO, STS, Telebraille, Spanish TTY, 900 number access, emergency calls, etc.*
WI	Around 1990.	TTY, VCO, HCO, ASCII, Fast ASCII, STS, and CapTel.
WV	1990.	Telecommunications relay service for the deaf.
WY	1993.	Text telephones, communications devices, operators.

* The information is from alternative sources other than the survey responses. For specific sources, please refer to NRRI's State USF Profile.

Amounts disbursed under TRS programs range from \$86 thousand to \$37 million.

the late 1980s or early 1990s. The services supported by state TRS programs include, at minimum, basic telephone relay services; many include subsidy of equipment purchase and CapTel services (an operator-assisted voice-text translation service using a captioned telephone) for qualified customers.

Eligibility Criteria for State TRS Programs

To use the basic telephone relay services, users can simply dial 711 to reach the operator for assistance. To qualify for other discounts and/or other services, however, states may have specific requirements such as the certification of disability and income. Table 51 shows the detailed eligibility criteria for customers to receive the subsidy.

Source of Funding for State TRS Programs

The source of funding for state TRS program varies. In most states, it is funded by a surcharge per access line or a surcharge on all intrastate telecommunications revenue; in some states, it is funded by general revenue. Table 52 shows the details.

Administrator of State TRS Programs

The state TRS program may be administered by the PUC or state utility commission, another state agency, a third-party, or the service provider, depending upon the structure of the TRS program. Many states indicated that the administrative responsibility is shared by more than one entity. The

commission or another state agency or a designated third-party administrator is usually responsible for collecting the fund, disbursing the fund among service providers, and certifying qualified users, whereas the service providers is responsible for providing the quality service and discount to eligible users. The operation of the TRS program is usually provided by ILECs or contracted to a service provider through a bidding process. Table 53 summarizes the current administrator of TRS program as well as some information about the selection process of the service provider.

Annual Disbursement of State TRS Programs

State commissions were asked about the total amount of fund disbursed during 2004 or 2005 for their state TRS program. The amount ranges from about \$85,988 (West Virginia) to over \$37 million (California). Some commissions did not provide information either because they do not have the information or the information is proprietary. Table 54 presents the amount of disbursement and the associated time periods.

STATE SUBSIDY PROGRAMS FOR ADVANCED TELECOMMUNICATION SERVICES

Status of State Advanced Services Programs and Year of Operation

As summarized in Table 55, five of 51 jurisdictions, or 10 percent, have a state subsidy program for advanced telecommunication services other

TABLE 51
QUESTION 33 (C): HOW IS ELIGIBILITY FOR STATE TRS SUPPORT DETERMINED?

AL	Determined by the Alabama Institute for the Deaf and Blind.
CA	Formal certification of disability.
CO	There are no eligibility requirements for our Colorado citizens. One merely needs to dial 711 on a telephone to obtain statutory required access to telecommunications.
CT	All state TRS users have an affordable state TRS rate.
DC	Special hearing needs.
FL	Eligibility is determined by the equipment distributor or by receiving a referral from an audiologist.
IA	TRS: provided via contract with TRS provider, free for all users; Equipment Discount Program: users must meet eligibility criteria.
KS	Applicants must meet the criteria.
KY	Contract with a provider. All telecom users can use the system.
LA	Intrastate TRS available for all users. Hamilton Telephone Company has operated the Louisiana Relay Service under contract with the Relay Administration Board of the State of Louisiana since Jan. 15, 1998. (Refer to LPSC Orders U-17656-A, U-17656-B, U-17656-C)
MA	Certified by the Massachusetts Commission for the Deaf and Hard of Hearing, the Massachusetts Commission for the Blind, or the Massachusetts Rehabilitation Commission. A recipient must be: (1) A resident of the state (2) Certified by a licensed professional as having a disability which seriously limits or prohibits the use of the basic telephone network without specialized customer premises equipment (3) Certified by a licensed professional as being able to use specialized customer premises equipment for which application is made
MD	(4) Meet the financial eligibility requirements established by the Department of Disabilities as a recipient of: (i) Transitional Emergency Medical and Housing Assistance (TEMHA) (ii) SSI (iii) TANF (5) At the time of application is not receiving similar services that are available and can be provided in a timely manner through another program.
MN	Income and disability conditions.
MO	Available to any end-user on an unlimited basis.
NC	Applicant is certificated by North Carolina DHHR.
NH	Determined by the Governor's Council on Disabilities.
NJ	No eligibility criteria.
NV	Social Services. Upon completion of an application (form DRS-D-001), the staff determines eligibility according to the "needs assessment sliding scale test" developed by the State Department of Rehabilitation Services.
OR	Letter from a physician stating that the person is hearing impaired.
PA	All relay services are "free" to end-users. Users buy equipment. Users at 200 percent or less of poverty level may receive free equipment. Relay Service is open for public use. For the equipment distribution program: South Carolina residents who have phone service in their home and a certified disability that causes difficulty using a standard telephone. A professional must certify that the individual can benefit from special telephone equipment.
SC	To be eligible for equipment: the customer must be a resident of South Dakota; the customer must have difficulty communicating on the telephone because of a severe hearing or speech impairment. A severe hearing loss requires the use of a TTY or volume amplifier to communicate effectively on the telephone. Severe speech impairment means a speech condition that requires the use of a TTY to communicate effectively on the telephone. The customer must have existing telephone service in the home.
SD	
UT	Eligible customers have to provide doctors notice and meet an income level.
VA	Determined by the Virginia Department of the Deaf and the Hard of Hearing.
VT	People who want the service call the number.
WV	Self-certification.

TABLE 52
QUESTION 33 (D): HOW IS YOUR STATE TRS FUNDED?

AK	A surcharge per local exchange line.
AL	Surcharge on the telephone bills.
CA	California Relay Service is part of the DDTP funded through an end-user surcharge on intrastate billings.
CO	A monthly \$0.06 surcharge is imposed upon every landline, collected by the carriers, and forwarded to the TRS fund.
CT	Assessment on all carriers offering telecommunications services in the state.
DC	All LECs based on revenue.
FL	The fund is supported by a \$0.15 monthly surcharge on each local wireline access line up to 25 access lines per account.
GA	Monthly Access line surcharge on all ILEC and CLEC subscribers except for the subscribers of the four telephone cooperatives.
HI	It is funded through carrier contributions from all certificated providers of intrastate telecommunications services, except payphone providers.
IA	Quarterly assessments to telecom providers in Iowa.
ID	Assessment on access lines and intrastate long distance minutes.
IL	General revenues.
KS	Funding is collected through the state USF assessment.
KY	Surcharge of \$0.09 per local Access line per month.
LA	Used to be funded by an \$0.11 per month access line charge by telecommunications providers as an additional funding source for TRS, to the extent that such funds were required in addition to the \$0.05 per month existing charge to provide intrastate TRS in compliance with the ADA. The collected fund was in surplus later on. From February 2002, the \$.11 per access line used to partially fund the telephone relay was ceased. A Trust Fund was established to fund in part the relay using accrued funds. (Reference LPSC Order U-17656-C, dated Oct. 20, 1992 – 11E per access line authorization; Reference LPSC Order U-17656-C, dated Feb. 26, 2002 – Supervision of Collection)
MA	A surcharge on telecommunications users.
MD	The landline monthly surcharge of \$0.20 paid by all telephone service subscribers.
MN	Currently by a \$0.07 surcharge per line per month.
MO	\$0.13 per line surcharge on wireline only.
MT	By a \$0.10/month fee on access lines.
NC	Surcharge at \$0.11 per access line.
ND	A surcharge per access line provided by law.
NE	\$0.07 surcharge per access line, including wireless customers, for the first 100 lines per account.
NH	TRS fee included in basic rates.
NJ	Assessment of major telecommunications providers.
NV	Surcharge on a per-line basis; The commission currently collects \$0.03 per access line per month and deposits those funds into social services account.
NY	TAF collects and distributes funds from all intrastate telecommunications providers in New York with annual intrastate revenues over \$25,000. The total intrastate expenses for funding TAF are divided by the total intrastate revenues of the quantifying companies. This ratio is then applied to each of the participating company's intrastate revenue to determine how much each company must pay.
OH	Gross Receipts Tax Credit (alternative funding process currently being explored).
OK	\$0.12 per access line (\$0.07 for service and \$0.05 for equipment and maintenance).
OR	Combined with the Telephone Assistance program above at a \$0.13 per line or instrument charge per month.
PA	Surcharge on wireline access lines.
RI	\$0.26 per access line.
SC	Through a surcharge on local phone bills.
SD	Through a \$0.15 monthly fee on each local exchange line, cellular telephone, and radio pager device.
TN	Surcharge to access rates.
TX	All Texas USF programs including TRS are funded through a single percent assessment on all taxable intrastate telecommunications receipts pursuant to Chapter 151 of the Texas Tax Code.
UT	It is funded through a fee on telephone service bills.
VA	A \$0.16 per month surcharge applies to wireline phones.
VT	Vermont USF.
WA	A \$0.13 tax on basic service lines.
WI	Assessment against revenues of telecommunications providers.
WV	By \$0.10 monthly assessment on all phone bills.
WY	Monthly surcharge on all access lines and wireless providers.

TABLE 53 SUMMARY
QUESTION 33 (E): WHO ADMINISTERS YOUR STATE TRS FUND?

The commission	AK, CA, CO, FL, GA, IA, KY, MO, NE, NJ, OR, UT, VA, VT, WI [15]
Another state agency	AL, CT, MD, MN, NC, ND, NH, NM, NV, OH, OK, SC, SD, VT, WI, WY [16]
A third-party	DC, FL, HI, ID, IL, KS, KY, LA, OK, PA, TX [11]
The service provider	MA, RI, TN, WV [4]

TABLE 53

	The Commission establishes the surcharge. Administration is not an issue given that funds are remitted to the single TRS provider. The Commission issues an order requesting applications to provide the TRS service. An applicant is then selected.
AK	
AL	A four-person board.
CA	The Commission.
CO	CRS 40-17-103 assigns the commission to administer and contract for TRS.
CT	Connecticut Commission on the Deaf and Hearing Impaired.
FL	James Forstall of the Florida Telecommunications Relay, Inc. is the administrator of the TRS fund. The Commission has budgetary and operational oversight.
GA	The Commission. The TRS service provider is selected by competitive bidding. Payments are made to the TRS service provider who is under contract to provide this service to the state.
HI	Solix Inc. administers the state TRS fund under a contract between Sprint TRS and Solix. The state TRS is provided by an exclusive provider, Sprint TRS.
IA	The Commission.
ID	Hamilton Telecommunications, the TRS service contractor. (Responsible contact person: Bob Dunbar)
IL	Illinois Telecommunications Access Corporations.
KS	Funding is collected by NECA, which disburses the monies to Kansas Relay Services, Inc. (KRSI). KRSI then disburses funding to the actual recipients.
KY	The Commission and JP Morgan.
LA	RAB Board – Relay Administration Board.
MA	Verizon.
MD	The fund is administered by the Maryland Department of Budget and Management in conjunction with the Governor's Office for Individuals with Disabilities.
MN	The Telecommunications Access Program of the Minnesota Department of Commerce.
MO	The Commission.
NC	North Carolina DHHR.
ND	The TRS program is administered by the North Dakota Information Technology Department. The Commission (Steven G. Stovall-Administrator, Maurice Gene Hand-Director of Telecommunications). Intrastate provider is by contractual arrangement administered by the
NE	Commission. Current contract commenced July 1, 2002 for initial three-year term with two two-year optional renewal terms. Current contract with renewals would extend contract to June 30, 2009.
NH	Determined by the Governor's Council on Disabilities.
NJ	The Commission.
NM	General Services Administration.
NV	Social Services.
OH	The Ohio Department of Taxation. The state TRS provider is selected through a Request-for-Proposal process.
OK	Oklahoma Telephone Association (third-party agent – Sprint) – Service The Oklahoma Department of Rehabilitation Services – Equipment and Maintenance.
OR	The Commission.
PA	A commercial bank.
RI	Run by ILEC.
SC	The fund is administered through the ORS. The programs are administered via the South Carolina School for the Deaf and Blind.
SD	Department of Human Services and Department of Revenue and Regulation.
TN	BellSouth Telecommunications, Inc.
TX	NECA (Solix). A provider qualifies for USF support for providing TRS through the Commission's RFP process, and P.U.C. Subst. R. 26.414, available for download at http://www.puc.state.tx.us/rules/subrules/telecom/26.414/26.414.pdf . The current RFP was awarded to Sprint, which has held the TRS contract in Texas for several years.
UT	The Commission.

TABLE 53 - *continued*

VA	Currently the Commission – as of Jan. 1, 2007, another state agency will take up the responsibility.
VT	The fiscal agent provides the money. The Department of Public Service selects the contractor.
WI	The Wisconsin Department of Administration handles contract services. The Commission collects assessments.
WV	Monies are delivered to AT&T who provides TRS service in West Virginia.
WY	Wyoming Division of Vocational Rehabilitation.

TABLE 54
QUESTION 33 (F): HOW MUCH WAS DISBURSED BY YOUR TRS PROGRAM DURING
2004 (OR OTHER RECENT PERIOD SUCH AS THE 2004-2005 FISCAL YEAR)?

AL	\$2,121,426.	2004.
CA	\$37 million.	2004.
CO	\$2.5 million.	Fiscal year 2004 - 2005.
	Surcharge revenue was \$17,657,263 for fiscal year 2004 - 2005. Payment for TRS service to the provider was \$7,371,321. Cost of equipment was \$4,246,410. Other	
FL	expenses were also involved. (For a complete look at the budget please refer to Appendix A of the annual report found at: http://www.psc.state.fl.us/general/publications/TASA2005.pdf).	
GA	\$2,803,541.81.	2005.
HI	\$934,123.14.	July 1, 2004 – June 30, 2005.
IA	\$1.4 million.	Fiscal year 2005.
ID	\$427,583.	2005.
KS	\$2.657 million.	March 2004 – February 2005.
KY	\$1,700,000.	2004.
LA	\$1,971,928.00.	2005.
MA	\$10.4 million.	Fiscal year 2004.
MD	\$5,316,220.	
MN	About \$6 million.	2005.
MO	Approximately \$3,600,000, excluding TAP program of approximately \$2,100,000 allocation from state legislature.	Fiscal year 2005.
NC	\$5,183,200.	2004.
ND	The estimated budget for year ending June 2006 is approximately \$445,000.	
NE	\$884,711.	2004 - 2005.
NH	Funded in amount not to exceed \$96,000 annually.	2005.
NJ	Approximately \$3.5 million dollars.	2004.
NY	These funds totaling \$35 million annually include programs for E911, Lifeline, and Telecommunications Relay Service.	
OH	Approximately \$5.6 million.	2004.
OK	Approximately \$2.8 million.	2004.
OR	\$1,762,002.	2004.
PA	\$7.5 million expected for July 1, 2005 to June 30, 2006. See www.puc.state.pa.us/pcdocs/542701.doc .	July 1, 2005 – June 30, 2006.
RI	\$500,000.	2004.
SC	\$3,706,601.11.	Fiscal year 2005.
SD	\$1,000,000.	2004.
TX	\$10,631,170.	Fiscal year 2004.
UT	\$1,140,225.74.	2005.
VT	\$0.34 million.	2004 - 2005.
WI	\$4.0 million.	Fiscal year 2004 - 2005.
WV	\$85,988.	2003.

TABLE 55

QUESTION 34: DOES YOUR STATE HAVE AN ADVANCED SERVICES, BROADBAND DEPLOYMENT, OR TECHNOLOGY FUND?**QUESTION 34 (A): WHEN DID THE PROGRAM BEGIN OPERATION?**

Yes	CA (1988), ID (2002), IL (2001), NE (2004 first grant period open), WI (1999) [5]
No	AK, AL, AR, AZ, CO, CT, DC, DE, FL, GA, HI, IA, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WV, WY [46]

A few states support broadband Internet connections for not-for-profit, educational, or rural organizations.

than subsidy programs for schools, libraries, and rural health care facilities. The earliest state advanced services program was established in 1988 (California) and the latest in 2004 (Nebraska).

Services Supported and Eligibility Criteria for State Advanced Services Programs

Table 56 shows responses for both services supported in state advanced services programs and the institutions' eligibility criteria for the funding. The supported advanced services usually refer to broadband Internet connection. The programs provide subsidies to organizations not covered in the subsidy program for schools, libraries, and rural health care facilities. Beneficiary organizations can be educational institutions, non-profit organizations or organizations in rural areas.

Eligibility for state advanced services support is usually based on need criteria set by the state administrator. The criteria emphasize the nature of the institution that applies for the fund and the geographical area the institution is located in.

Source of Funding and Administrator of State Advanced Services Programs

Table 57 presents the responses from commissions on the source of funding and administration of state advanced services programs. The source for funding for state advanced services programs varies across states. It may be part of the overall state USF, or be funded separately by general tax revenue or by contribution from service providers. Accordingly, the administration of the state advanced services programs also varies considerably across states.

Annual Disbursement of State Advanced Service Programs

Commissions were asked about the total amount of money disbursed for state advanced service programs in 2004 or 2005. Table 58 presents the amount of disbursements and the associated time periods.

OTHER STATE USF PROGRAMS

Eight of the 51 jurisdictions, or 16 percent, responded that they have other state USF programs that do not fit into

Every state has a TRS program, but the capacity, funding mechanism and administration vary.

TABLE 56
QUESTION 34 (B): WHAT SERVICES ARE SUPPORTED?
QUESTION 34 (C): HOW IS ELIGIBILITY FOR STATE ADVANCED SERVICES
SUPPORT DETERMINED?

CA	California Research and Education Network provides connectivity to California private/public research universities, state and community colleges with K-12 on high-quality/capacity 10 GB optical network and links to Pacific Rim.	Determined by program.
ID	Company investments in broadband deployment.	PUC certifies the equipment that is capable of supporting broadband.
IL	Capital expenditures for advanced services	Underserved areas where competitive alternatives do not exist.
NE	Nebraska Internet Enhancement Fund: Broadband infrastructure in rural areas.	Grant applications are evaluated based on geographic area and density served plus current broadband availability.
WI	Specific advanced services are eligible for grant support for use by non-profit organizations.	Non-profit status and then a competitive grant process depending on rating of application submitted.

TABLE 57
QUESTION 34 (D): HOW IS YOUR STATE ADVANCED SERVICES PROGRAM
FUNDED?
QUESTION 34 (E): WHO ADMINISTERS YOUR STATE ADVANCED SERVICES
PROGRAM?

CA	General tax revenue and appropriation.	Corporation for Education Initiatives in California.
ID	Tax credit of 3 percent of investment resulting in reduced general revenue for telecommunications companies.	Idaho Tax Commission.
IL	\$5 million annual contribution from the largest ILEC in the state.	The Commission.
NE	Leasing of Dark Fiber agreements. The legislature provided seed money.	The Commission.
WI	Wisconsin USF.	The Commission.

TABLE 58
QUESTION 34 (F): HOW MUCH WAS DISBURSED BY YOUR ADVANCED
SERVICES/BROADBAND DEPLOYMENT PROGRAM DURING 2004 (OR OTHER
PERIOD SUCH AS A FISCAL YEAR)?

CA	Annual budget approximately \$50 million.	Fiscal year 2003-2004.
ID	Unknown.	
IL	\$0.	2004.
NE	\$2,950.	July 2004 - June 2005.
	\$74,965.	July 2005 - June 2006 (as of November 2005).
WI	\$500,000.	July 1, 2004 – June 30, 2005.

the above-described categories. The responses are presented in Table 59.

RESULTS OR OUTCOMES OF STATE USF PROGRAMS

Explicit Universal Service Goal

As summarized in Table 60, four of 51 jurisdictions, or 8 percent, reported that they have established an explicit universal service goal, whereas the other forty-seven commissions either did not provide information or answered no to this question.

Standards Used to Judge the Achievement of Universal Service Goals

Commissions were asked about the standards they use in determining whether universal service goals have been met in the state. As shown in Table 61, five commissions responded that they have an explicit standard. The California Commission uses statewide average penetration rate as a standard for judgment. Missouri targeted low-income and disabled consumers. Nebraska and Texas use the level of basic local rates as their standard. South Carolina emphasizes affordability and availability for basic local telephone services. Three other states indicated that they have a universal service goal, but no explicit standard.

Evaluation of Impact or Effectiveness of USF Programs

Five of 51 jurisdictions, about 10 percent, reported that they have evaluated the impact or effectiveness of universal service programs in

their states. Several other states are under the process of investigation. Comments, findings and sources of state evaluation reports are presented in Table 62. No major noncompliance is found in the evaluation process.

Notes

¹ Rosenberg, Edwin A. and Stanford, John D. 1996. *State Universal Service Funding Mechanisms: Results of the NRRI's Survey*. Columbus, Ohio: The National Regulatory Research Institute, NRRI 96-14, May.

² Rosenberg, Edwin A. and Wilhelm, John D. 1998. *State Universal Service Funding and Policy: An Overview and Survey*. Columbus, Ohio: The National Regulatory Research Institute, NRRI 98-20, September.

³ Rosenberg, Edwin A., Lee, Chang Hee, and Perez-Chavolla, Lilia. 2002. *State Universal Service Funding Mechanisms: Results of the NRRI's 2001-2002 Survey*. Columbus, Ohio: The National Regulatory Research Institute, NRRI 02-10, June.

⁴ FCC 05-46, *Report and Order* in CC Docket No. 96-45, released March 17, 2005.

⁵ See FCC 97-157, *Report and Order* in CC Docket 96-45, May 8, 1997, ¶ 22 and ¶ 56; and 47 C.F.R. §54.101.

⁶ See <http://www.fcc.gov/cgb/dro/trs.html>.

States with explicit standards for universal service goals include California, Missouri, Nebraska, Texas, and South Carolina.

TABLE 59 SUMMARY**QUESTION 35: DOES YOUR STATE HAVE ANY OTHER TYPE OF INTRASTATE UNIVERSAL SERVICE PROGRAM?**

Yes	AZ, LA, MO, NE, NM, OK, TX, WI [8]
No	AK, AL, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, MA, MD, ME, MI, MN, MS, MT, NC, ND, NH, NJ, NV, NY, OH, OR, RI, SC, SD, TN, UT, VA, VT, WV, WY [43]

TABLE 59

AZ	Quest has a Low-Income Telephone Assistance Program, providing a credit against the recurring monthly rate for the provision of local residential service for eligible low-income customers. Applicants must be a head of household, be 65 years of age or older and have a household income at or below poverty level. The monthly credit will be based on the sum of a 17 percent discount on the following local exchange service offerings: flat rate individual service, low use option service, monthly increments, local area calling usage, maintenance of inside wiring and service station service.
	(See tariff section 5.2.6.B and Decision No. 67941 establishing income-based criteria at or below 150 percent of federal poverty Guidelines.) The State of Louisiana has Local Optional Service ("LOS") calling plans that all ILECs must provide throughout the state. It was implemented in 1989. LOS is a service that provides seven-digit dialed local calling outside the Local Calling Area but within the LATA from all originating wire centers to terminating wire centers within 40 miles or within a parish on a usage-sensitive basis. There are currently two LOS offerings in effect: basic LOS and "LOS B." The basic LOS calling plan permits customers to enjoy unlimited usage for all calls made within the base rate area up to a flat rate charge of \$15.00 per month. Subscriber calls that fall outside of the base rate area, up to forty miles, are subject to reduced usage-sensitive rates under the LOS B calling plan. Both LOS calling plans are offered on a completely optional basis to subscribers.
LA	To settle the conflict between 1+ presubscription and the LOS calling plan, an Interim LOS Preservation Plan was created to provide interim and explicit subsidy to all ILECs with the exception of BellSouth Telecommunications, Inc. to support the provision of LOS. The current level of funding through the Interim LOS Fund is approximately \$42.2 million annually. The Commission appointed a third-party administrator to oversee the mechanics of the fund. The Interim Plan was converted to an explicit state USF in April 2005. (See LPSC Orders U-17656-A and U-17656-B, 1992; Order U-20883-Subdocket C, dated April 29, 2005; Order U-20883-Subdocket C, dated May 18, 2005) As of May 1, 2005, Missouri offers discounts to Missouri disability consumers. A consumer would qualify meeting the following programs:
MO	(1) Federal Social Security Disability benefits (2) Federal SSI benefits (3) Veteran Administration benefits (4) State Blind Pension (5) State Aid to Blind Persons (6) State supplemental payments
	The Missouri disability program offers a discount of \$3.50 per customer per month off of the consumer local telecommunications service. If any dependent of the telecommunications customer within the same household has a disability and is receiving disability benefits as defined above, the consumer is eligible to receive the disability discount. The Commission has approved incorporating a Dedicated Wireless fund into the existing fund. The Commission has recently opened a new docket to investigate how to implement (including supported services, and funding).
NE	New Mexico has an access reduction program. The rule for this program was in effect from November 2005. The purpose of the program is to reduce intrastate switched access charges to interstate switched access charge levels in a revenue-neutral manner and ensure universal service in the state, starting from April 2006. The program is supported by a state USF surcharge rate paid by all entities that provide intrastate retail public telecommunication services and comparable retail alternative services in New Mexico. A carrier needs to be an ETC to receive the fund. The Commission designates a third-party administrator to operate the fund through a bidding process. (For details, see 17.11.10 NMAC.)
NM	

TABLE 59 - continued

OK	<p>Primary Universal Service – an access line and dial tone provided to the premises of residential or business customers which provides access to other lines for the transmission of two-way switched or dedicated communication in the local calling area without additional, usage-sensitive charges, including: a primary directory listing; DTMF signaling; access to operator services; access to DA services; access to TRS; access to 911 where provided by a local governmental authority or multi-jurisdictional authority, and access to interexchange long distance service.</p> <p>It is funded by the Oklahoma USF. The fund is approximately \$2.9 million for the 2004-2005 fiscal year.</p>
TX	<p>The Texas USF also funds (1) the PURA fund (PURA § 56.025), which provides a make-whole mechanism for small ILECs impacted by federal and/or state decisions, and to maintain reasonable rates; and (2) the Specialized Telecommunications Assistance Program (STAP), (PURA §§ 56.151-.156), which provides vouchers for disabled end users to purchase customer premises telephone equipment.</p> <p>Telecommunications Equipment Purchase Program – voucher program for individuals with disabilities that inhibit or prevent their use of standard telecommunications equipment to purchase needed specialized equipment. \$2,406,255.00 in fiscal year 2005</p>
WI	<p>Public Interest Payphones – subsidizes payphones needed in certain locations where the location owner does not have the ability to pay for a payphone and a payphone cannot generate sufficient revenues for self-support. \$136,440.00 in fiscal year 2005.</p>

TABLE 60

QUESTION 36: HAS YOUR STATE ESTABLISHED AN EXPLICIT UNIVERSAL SERVICE GOAL?

Yes	CO, NE, SC, TX [4]
No	AK, AL, AR, AZ, CA, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SD, TN, UT, VA, VT, WA, WI, WV, WY [47]

TABLE 61
**QUESTION 37: IF YOUR STATE HAS AN EXPLICIT UNIVERSAL SERVICE GOAL,
 WHAT STANDARD DOES YOUR COMMISSION USE IN DETERMINING
 WHETHER UNIVERSAL SERVICE GOALS HAVE BEEN MET IN YOUR STATE?**

AZ	No explicit standard. California has statutory goals, described in California Public Utilities Code Section 871 and following: http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=puc&codebody=871&hits=20 .
CA	The Commission uses the standard of statewide average penetration rate. California's penetration rate is 96.0 percent in 2004. The target rate for all minority communities in California is 95 percent.
CO	No explicit standard.
IL	No explicit standard.
MO	The Missouri USF is used to assist low-income customers and disabled customers in obtaining affordable essential local services.
NE	The Commission uses the level of basic local rates as a standard.
SC	The term "universal service" means the providing of basic local exchange telephone service, at affordable rates, upon reasonable request, to all residential and single line business customers within a defined service area.
TX	The Commission uses the level of basic local rates as a standard.

TABLE 62 SUMMARY
QUESTION 38: HAS YOUR STATE EVALUATED THE IMPACT OR EFFECTIVENESS OF UNIVERSAL SERVICE PROGRAMS (HIGH-COST SUPPORT AND/OR LOW-INCOME SUPPORT) IN YOUR STATE? IF YES, PLEASE DESCRIBE THE EVALUATION AND RESULTS.

Yes AL, FL, NE, SC, VT [5]
 AK, AR, AZ, CA, CO, CT, DC, DE, GA, HI, IA, ID, IL, IN, KS, KY, LA,
No MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NM, NV, NY, OH,
 OK, OR, PA, RI, SD, TN, TX, UT, VA, WA, WI, WV, WY [46]

TABLE 62

AL	Yes	The Commission found that companies are using funds in accordance with Commission orders. Any uncompleted projects noted in the investigations have been finished within a reasonable timeframe.
CA	No	The Commission opened two proceedings in the spring of 2006 to examine most of its universal service programs in light of technological advances, changes in our regulatory frameworks in our pending Uniform Regulatory Frameworks proceeding, and other public policy considerations such as competitive neutrality.
FL	Yes	The Commission has addressed the FCC and the Universal Service Joint Board on numerous occasions regarding the Federal program. The Commission comments can be accessed at the FCC's Electronic Comment Filing System (ECFS) in the various USF dockets.
SC	Yes	An audit of the South Carolina USF was conducted in 2005 by the South Carolina Legislative Audit Council the report may be found at http://www.state.sc.us/sclac/Reports/2005/USF.htm .
TX	No	An investigation is underway pursuant to a legislative directive and a report with the Commission's recommendations is due to the legislature before Jan. 1, 2007 (Project No. 31863, which may be tracked at http://www.puc.state.tx.us/telecomm/projects/31863/31863.cfm).
UT	No	The Commission is currently evaluating the impact of our Lifeline program.
VT	Yes	The March 2005 report on Lifeline by the Department of Public Service is available from http://publicservice.vermont.gov/pub/other/04AnnRep.pdf . The report shows the current status of Vermont Lifeline and Link-Up programs, Vermont TRS and Vermont Telecommunications Equipment Distribution Program.

APPENDIX I

2005 NRRI Survey Questionnaire on State Universal Service Programs and Funding Mechanisms – Nov. 4, 2005

This is a survey to determine the current status of state universal service programs and funding mechanisms in the 51 jurisdictions. The results of this survey will be used to produce an updated NRRI report on state universal service funding mechanisms.

This Survey is an update and extension of the previous NRRI Survey – NRRI 02-10, available at <http://www.nrri.ohio-state.edu/phpss113/search.php?focus=02-10&select=Publications>. All respondents will receive an advance copy of the results.

Please, enter your answers in the spaces below (the text fields will expand as you enter your answers) and return the completed survey to **Ed Rosenberg** rosenberg.19@osu.edu or **Jing Liu** liu.632@osu.edu at the NRRI by **December 2, 2005**. If necessary, you can fax it to Ed Rosenberg @ (614) 292-7196 or a telephone interview can be conducted (614) 292-4417.

Where possible, copies of or links to appropriate documents (studies, orders, rules, etc.) would be greatly appreciated.

Respondent Information:

State:

Name:

Title:

E-mail:

Phone:

QUESTIONS:

Existence/Status/ Operation of state High-Cost Universal Service Funds (USFs)

- 1) Does your state currently have a high-cost USF? Yes ____ No ____ If Yes, what is the status of the fund? (Check all that apply)
 - a) Functioning ____ since (year) ____
 - b) Functioning, but under revision ____
 - c) Approved, but not functioning ____
 - d) Other ____ please explain

If you answered No to question 1, and your state does not have a high-cost USF, please answer the following question.

- 2) Has your commission considered and rejected a state high-cost USF? Yes ____ No ____ If Yes, what reason was given for rejecting the fund?

Reasons:

- 3) Is your commission currently considering a state high-cost fund? Yes ____ No ____

If your state has a state high-cost USF, please answer the following questions.

- 4) If your state's high-cost USF is under revision, please explain or describe the likely nature of the revision.

Likely revisions:

- 5) If your state's high-cost USF has been approved but is not functioning, what is the reason it is not functioning?

Reasons:

- 6) If your state has a USF, was it
- a) Created by the Commission on its own initiative ____
 - b) Created by the Commission under legislative mandate ____
 - c) Other ____ please explain.

Services Supported by State High-Cost USFs

The FCC lists the following functions or services as being eligible for universal service support:¹

- Voice grade access to the public switched network, with the ability to place and receive calls
- Local usage
- Dual-Tone Multifrequency signaling [Touchtone®, for example] or its functional equivalent
- Single-party service
- Access to emergency services, including in some instances, access to 911 and enhanced 911 (E911) services
- Access to operator services
- Access to interexchange services
- Access to directory assistance
- Toll limitation services for qualifying low-income consumers

¹ See FCC 97-157, *Report and Order* in CC Docket 96-45, May 8, 1997, ¶ 22 and ¶ 56; and 47 C.F.R. §54.101.

7) What services are eligible for state high-cost support?

- a) Same as the FCC's list ____
- b) Different from the FCC's list ____ If different, please explain.

Differences:

Contributions to State High-Cost Funds

8) Who must contribute to your state's high-cost USF?

- a) ILECs ____
- b) CLECs ____
- c) IXC's ____
- d) CMRS providers ____
- e) VoIP providers ____
- f) Others ____ please explain

9) What mechanisms are used to collect funds for the high-cost fund?

- a) Percentage surcharge on revenues ____ ; current percent surcharge rate ____
- b) Line charge ____ ; current amount per line per month ____
- c) Per-minute charge ____ ; current amount per minute ____
- d) Combination of charges ____ Describe
- e) Other ____ please explain

10) If a revenue surcharge is used, what is the revenue base to which it applies?

Revenue base:

11) Do all providers contribute on the same basis? Yes ____ No ____ If no, please explain the differences

12) Is there a rule or process for exempting a carrier from contributing to your state's high-cost fund? (based, for example, on a *de minimus* standard)? Yes ____ No ____ if Yes, please explain

Eligibility to Receive State High-Cost Support

13) Does a carrier need to be an ETC to draw from your fund? Yes ____ No ____

14) Which of the following are eligible to receive support from your intrastate high-cost fund?

- a) Rural ILECs ____
- b) Wireless Carriers ____
- c) Landline CLECs ____

- d) Non-Rural, non-RBOC ILECs ____
- e) RBOCs ____
- f) Others ____ please explain

15) What basis is used to determine whether a carrier may draw from the intrastate high-cost fund? For example, is it line costs, revenue requirement, access charge reductions, etc.?

Eligibility standard:

- a) If a cost standard is used, is it based on embedded cost or a proxy cost model?
- b) If a cost standard is used, what is the definition of a “high-cost” loop?
- c) Is the basis the same for all providers or all types of providers? Yes ____ No ____ If no, please explain.

16) Do non-ILEC companies receive the same level of per-line support as ILECs from your state high-cost USF? Yes ____ No ____ If No, please explain

Affordability Standard

17) Has your state established an affordability standard for use in its state high-cost universal service support program? Yes ____ No ____ If yes, please describe the standard.

Disbursement Mechanism

18) What mechanism does your Commission use for disbursing funds?

Mechanism:

Fund Administration

19) Who administers your state’s fund?

- a) The Commission ____
- b) Another state agency ____
- c) A third-party ____ Name of third-party administrator _____

20) Does your state or administrator review contributions and contributors to ensure appropriate reporting for state USF purposes? Yes ____ No ____

21) If your state’s fund is not administered by the Commission or another state agency, how was the administrator chosen or selected? That is, what was the selection process?

Selection process:

Size of High-Cost Fund

- 22) How much was disbursed by your intrastate high-cost fund during 2004 (or other recent period such as the 2004-2005 fiscal year)? Period _____ Amount _____
- 23) Does your state have a phase-down mechanism for rural carriers to reduce support over time? Yes ___ No ___ If Yes, please explain.

Selection process:

ETC Designations

- 24) Has your commission made any changes in its procedures or rules for designating ETCs (especially in rural areas) as a result of the FCC's March 17, 2005 ETC Order?² Yes ___ No ___ if Yes, please explain.
- 25) Has your commission adopted annual reporting requirements regarding state certification of support for ETCs?
- 26) Has your commission adopted the FCC's five-year service quality improvement plan for ETCs contained in the FCC's ETC Order?³ Yes ___ No ___

Comments:

Auditing the Use of Universal Service Support

- 27) Has your Commission done any audits or investigations to determine how universal service support has been used by the recipients? Yes ___ No ___ If yes, please describe.

Description:

- 28) If your Commission performed audits or investigations, what were the findings.

Findings:

State Low-Income Program

- 29) Does your state have an intrastate Low-Income (Lifeline/Link-Up) Program that provides low-income support in addition to federal support? Yes ___ No ___ If Yes,
- a) When did the program begin operation? _____
 - b) What services are supported? _____
 - c) How much is the monthly state per-line support for low-income consumers? _____

² FCC 05-46, *Report and Order* in CC Docket No. 96-45, March 17, 2005.

³ See FCC 05-46, ¶ 69.

- d) How is eligibility for Low-Income support determined?
- e) How is your state Low-Income Program funded?
- f) Who administers the Low-Income Program?

30) How much was disbursed by your intrastate low-income program during 2004 (or other recent period such as the 2004-2005 fiscal year)? Period _____ Amount _____

Schools and Libraries Programs

31) Does your state have an intrastate Schools and Libraries or Education Program that provides support in addition to that provided by the federal Schools and Libraries Program? Yes _____ No _____ If Yes,

- a) When did the program begin operation? _____
- b) What services are supported?
- c) How is eligibility for Schools and Libraries support determined?
- d) How is your Schools and Libraries Program funded?
- e) Who administers the Schools and Libraries Program?
- f) How much was disbursed by your intrastate schools and libraries program during 2004 (or other recent period such as the 2004-2005 fiscal year)? Period _____ Amount _____

32) Does your state have an intrastate Rural Health Care Program that provides support in addition to that provided by the federal Rural Health Care Program? Yes _____ No _____ If Yes,

- a) When did the program begin operation? _____
- b) What services are supported?
- c) How is eligibility for Rural Health Care support determined?
- d) How is your Rural Health Care Program funded?
- e) Who administers the Rural Health Care Program?
- f) How much was disbursed by your intrastate Rural Health Care Program during 2004 (or other recent period such as the 2004-2005 fiscal year)? Period _____ Amount _____

Telephone Relay Service (TRS)

33) Does your state have an intrastate accessibility fund such as a Telephone Relay Service (TRS)? Yes _____ No _____ If yes,

- a) When did the program begin? _____
- b) What services are supported?
- c) How is eligibility for state TRS support determined?
- d) How is your state TRS funded?
- e) Who administers your state TRS fund?
- f) How much was disbursed by your TRS program during 2004 (or other recent period such as the 2004-2005 fiscal year)? Period _____ Amount _____

Advanced Services / Broadband Programs

34) Does your state have an advanced services, broadband deployment, or technology fund?

Yes ____ No ____ If yes,

- a) When did the program begin operation? ____
- b) What services are supported?
- c) How is eligibility for state advanced services support determined?
- d) How is your state advanced services program funded?
- e) Who administers your state advanced services program?
- f) How much was disbursed by your advanced services / broadband deployment program during 2004 (or other period such as a fiscal year) Period ____ Amount ____

Other Programs

35) Does your state have any other type of intrastate universal service program? Yes ____ No ____
If yes, please describe the program

Description:

Results or Outcomes of Universal Service Programs

36) Has your state established an explicit universal service goal? Yes ____ No ____

37) If your state has an explicit universal service goal, what standard does your commission use in determining whether universal service goals have been met in your state?

- a) Statewide average penetration rate ____
- b) Low-income penetration rate ____
- c) Rural area penetration rate ____
- d) Changes in penetration rates ____
- e) The level of basic local rates ____
- f) No explicit standard ____
- g) Other ____ If "other" please explain below.

38) Has your state evaluated the impact or effectiveness of universal service programs (high-cost support and/or low-income support) in your state? Yes ____ No ____ If Yes, please describe the evaluation and results. If possible, provide copies or links to any studies or reports.

We appreciate your cooperation in this study.

Thank you for your help! Results will be available when compiled.

Please, return the completed survey to
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APPENDIX II

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